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NOMINATION OF T. TIMOTHY RYAN, JR.

HEARING

BEFORE THE

COMMITTEE ON
BANKING, HOUSING, AND URBAN AFFAIRS
UNITED STATES SENATE

ONE HUNDRED FIRST CONGRESS

SECOND SESSION

ON

THE NOMINATION OF

T. TIMOTHY RYAN, JR., OF VIRGINIA, TO BE DIRECTOR OF THE OFFICE
OF THRIFT SUPERVISION FOR A TERM OF 5 YEARS

MARCH 28, 1990

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NOMINATION OF T. TIMOTHY RYAN, JR., OF VIRGINIA, TO BE DIRECTOR OF THE OFFICE OF THRIFT SUPERVISION FOR A TERM OF 5 YEARS

WEDNESDAY, MARCH 28, 1990

U.S. SENATE,
COMMITTEE ON BANKING, HOUSING, AND URBAN AFFAIRS,
Washington, DC.

The committee met at 2:13 p.m., in room SD-538 of the Dirksen Senate Office Building, Senator Donald Riegle (chairman of the committee) presiding.

Present: Senators Riegle, Garn, Graham, Pressler, Wirth, D'Amato, Dixon, Heinz, Kerry, Mack, Shelby, Sasser, Cranston, Dodd, Sarbanes, Bryan, and Bond.

Also present: Senators Metzenbaum and Warner.

OPENING STATEMENT OF CHAIRMAN RIEGLE

The CHAIRMAN. The committee will come to order. And, let me indicate why we are a little late in starting this morning or this afternoon, and that is that an objection had been filed to the Senate about any committee conducting business today beyond—2 hours beyond the time that the Senate convened. And, that objection was watched, not with respect to the actions of this committee and this nomination but with respect to another committee. But, that nomination having been—that objection having been watched, it applied to this committee as to others.

And, so we were prevented from convening this committee meeting until that matter was resolved just 2 or 3 minutes ago. So, that is what occasions the delay in our starting today.

And, I'm pleased that the objection could be worked out, because it's very important that having scheduled this that we be able to go forward with it today.

Now, we have a number of people here who have opening comments to make. And, I'm going to start with my own and then we will go back and forth across the table.

Our hearing this afternoon is on Mr. Timothy Ryan's nomination to be Director of the Office of Thrift Supervision. The administration has urged this committee to expedite its review of the nomination.

Secretary Brady called and asked that that be done directly in a conversation with me and then in turn sent the following letter to me on the 23rd of March which reads as follows:

Dear Mr. Chairman: I am writing to request expedited favorable consideration of Timothy Ryan, the President's nominee for Director of the Office of Thrift Supervision. Our request for expedited action stems from recent court decisions in which injunctions have been entered against OTS based on constitutional arguments. In order to avoid any delay or uncertainty in forging ahead with the critical work of OTS, under the 1989 FIRREA legislation an OTS Director nominated by the President and confirmed by the Senate needs to be on the job. This is the fastest and surest way that Congress and the executive branch can address the current uncertainty. I know that working together we can and will address this situation, and I thank you for your cooperation and assistance. Sincerely, Nicholas F. Brady, Treasury Secretary.

I would say that in response to the administration's request we are holding this hearing just three business days after receiving the nomination papers.

The Constitution, of course, gives the Senate and imposes upon the Senate an independent obligation to review the nominee. By scheduling this hearing so quickly, I am not and I don't think it should be read that the committee is in any way prejudging the outcome of the nomination.

The members of this committee and of the full Senate will in due course discharge that obligation. I will say this, that some members have already expressed to me serious reservations about your nomination.

This is a critical time for the thrift industry and the Office of Thrift Supervision. Many thrifts are struggling to recover from past mistakes and the taxpayer faces a large and growing bill.

The administration has been searching for a permanent Director for many months. The courts are questioning the OTS's actions and some in Congress and elsewhere are questioning whether the OTS should even remain a separate agency.

So, the new Director of the OTS will face many critical decisions. That person will have to ensure that thrifts operate safely and soundly, implement the new capital standards and work closely with the RTC to quickly resolve insolvent thrifts that continue to lose money each day.

In addition, the OTS Director serves on the Board of Directors of the FDIC and the RTC. At the FDIC, he must help protect the bank and thrift deposit insurance funds and regulate 7,950 State-chartered banks as well. At the RTC, he must help oversee the largest real estate sale ever to take place that anyone knows about and to see that it's conducted fairly and at the lowest cost and highest return of value to the taxpayer.

So, this is a vitally important job. And, it requires someone I think of exceptional qualification for these extraordinary job requirements.

Mr. Ryan served as Solicitor of the Department of Labor for 2 years during the early 1980's and has been in private law practice since then specializing in labor law. Because Mr. Ryan does not have a background in the banking or thrift industry, today's hearing gives him and us in this first public forum the opportunity to examine his views on the key issues facing the OTS, the FDIC and the thrift industry in general. And, we look forward to your testimony.

And, let me just make one other comment before calling on Senator Garn. And, after we've gone through the members of the committee, we will then recognize Senator Warner for his comments as well.

Let me say that Senator Metzenbaum has asked to join us today and at the end of the round when members have made their comments would like to make a comment and at the end of the time that we have done our questioning he has some questions that he would like to raise. And, we have always accommodated members who have asked to do that from other committees, and we are pleased to accommodate him today.

Senator Warner, let me just inquire before I yield to Senator Garn, do you have a pressing commitment that requires you——

Senator WARNER. No, Mr. Chairman. This is my top priority for the day. And, I'm happy to sit here until such time as it is convenient for you to recognize me.

The CHAIRMAN. Very good. Then, Senator Garn is recognized.

OPENING REMARKS OF SENATOR GARN

Senator GARN. Mr. Chairman, thank you very much. And, with all of the people that are here and are interested in this hearing, I would like to submit my written statement for the record and not take the time of the committee to read it. And, then I have a brief statement.

The CHAIRMAN. Very good, Senator Garn. We will make it a part of the record.

Senator GARN. Mr. Ryan, I think it is evident to everyone what an incredibly difficult process this has been and what a huge problem we have and what a large amount of money the taxpayers are going to pay. So, I just want to take a minute to impress on you, assuming that you will be confirmed, the urgency of your job, because I must say that I have been very dissatisfied with the Congress of the United States over a long period of time. I am dissatisfied with the action of the administration since FIRREA was passed last summer, the slowness in RTC being put together, the slowness of disposing of property, the slowness of naming you or whoever else might have been named, the slowness of the entire process.

I made these comments a few weeks ago to the RTC Oversight Board. I just wish to read for your benefit and others a brief statement from the Congressional Record made by me.

> Mr. President, FSLIC recapitalization is urgently needed. FSLIC primary reserves have dropped to $2.5 billion and the ratio of these reserves to insure deposits has deteriorated steadily in recent years. At the same time, FSLIC case load includes 125 severely troubled thrifts with $42 billion in assets and will include another 96 troubled thrifts with $35 billion of assets in the next 12 months. The cost of resolving the current case load without the expected additions is $7 to $10 billion in the next 12 months. This is 3 to 4 times the primary reserves now available to the insurance fund. The result is that FSLIC must now keep insolvent thrifts open because it does not have the funds to close them. This risks far larger losses to the fund in the future and unfairly permits insolvent institutions to compete for deposits with healthy thrifts and banks. If interest rates rise, the cost will be far, far greater. Furthermore, these estimates do not take into account credit risk, deteriorating asset quality or deposit losses of competing institutions, all of which could make the overall losses even worse. There is no question in anyone's mind, including all the financial regulators, that FSLIC recap is necessary. The real question is whether it's necessary this month, next month or in 6 months. And, the answer is that we should not tempt the hand of fate by doing nothing now. The consequences of that kind of inaction are bleak with potentially devastating losses to the FSLIC

fund, the possibility that merger of FSLIC with FDIC and even the possibility of direct Federal appropriations.

Those are quotes from a speech I gave on the floor on October 18, 1986. The rest of this file, which I will not take the time of the committee or the witnesses are speeches in 1986 and 1987 over and over and over again warning about the dire consequences.

At that time, with the help of Senator Riegle, on that particular night, the Senate passed a $15 billion FSLIC recapitalization bill to be paid back entirely by the thrift industry, not a dime of taxpayers' dollars involved. The thrift industry did not like that. So, they went to the House of Representatives and killed it.

And, again I remind you that this has been going on 4 years. So, this urgency that I am talking about is not new by this Senator. It is not a new concern by this committee.

The Senate of the United States did act on this problem in October 1986. The House of Representatives did not.

The only thing that has happened since that period of time is the problem has grown much larger, and it gets bigger every single day because we have not acted. So, if you are confirmed, you are going to be bugged by this Senator, by this chairman, by this committee, to take decisive action to move ahead, because that tourniquet has not yet been put in place. The industry still continues to hemorrhage and the taxpayers are paying the bill.

And, I do not know how I can make it anymore stronger than that. If we do not start getting some action, then I will start mailing copies of this whole file, because what I said in 1986 and 1987 applies even more so today than it did at that time.

Thank you, Mr. Chairman.

[The complete prepared statement of Senator Garn follows:]

STATEMENT OF SENATOR GARN

MARCH 28, 1990

MR. CHAIRMAN, TODAY THE COMMITTEE IS CONSIDERING A NOMINEE FOR ONE OF THE MOST IMPORTANT POSITIONS THE ADMINISTRATION WILL BE FILLING THIS YEAR – THAT OF THE DIRECTOR OF THE OFFICE OF THRIFT SUPERVISION. IF CONFIRMED IN THIS POSITION TIM RYAN WILL BE SUPERVISING OUR NATION'S SAVINGS ASSOCIATIONS. HE WILL HAVE THE PRIMARY RESPONSIBILITY TO ASSURE THAT THESE INSTITUTIONS ARE OPERATED IN A SAFE AND SOUND MANNER, THAT INSOLVENT INSTITUTIONS WILL BE DEALT WITH PROMPTLY, AND THAT TAXPAYER INTERESTS WILL BE PROTECTED.

DUE TO UNUSUAL CIRCUMSTANCES, IT BECAME NECESSARY FOR THE COMMITTEE TO CONSIDER THIS NOMINEE ON AN EXPEDITED BASIS. I WANT TO COMMEND YOU, MR. CHAIRMAN, FOR RECOGNIZING THE NEED FOR SWIFT ACTION AND FOR SCHEDULING A HEARING SO SOON AFTER THE NOMINATION WAS MADE. IT IS IMPORTANT, OF COURSE, THAT THE COMMITTEE NOT LET THE URGENCY OF THIS NOMINATION INTERFERE WITH ITS DUTY TO FULLY CONSIDER THE QUALIFICATIONS OF THE CANDIDATE. I KNOW THAT THIS HEARING WILL BE THOROUGH AND COMPREHENSIVE.

TIM RYAN COMES BEFORE THE COMMITTEE WITH CONSIDERABLE EXPERIENCE IN BOTH THE PUBLIC AND PRIVATE SECTORS. AS SOLICITOR OF LABOR, HE WAS RESPONSIBLE FOR MANAGING 600 ATTORNEYS AND DIRECTING THE LEGAL POLICIES OF THE DEPARTMENT OF LABOR. THIS POSITION GAVE MR. RYAN CONSIDERABLE EXPERIENCE IN ADMINISTERING AND ENFORCING A WIDE RANGE OF COMPLEX STATUTORY MANDATES HAVING NATIONWIDE IMPACT. IN THE PRIVATE SECTOR, HE HAS ACHIEVED SIGNIFICANT SUCCESS, AND IS CURRENTLY A PARTNER ON THE EXECUTIVE COMMITTEE OF A DISTINGUISHED LAW FIRM. HIS AREAS OF EXPERTISE INCLUDE REPRESENTATION OF CLIENTS IN ERISA MATTERS, ONE OF THE MORE COMPLEX AREAS OF LAW.

SOME HAVE QUESTIONED MR. RYAN'S EXPERIENCE IN THE FINANCIAL INSTITUTIONS AREA. IT IS IMPORTANT TO REMEMBER THAT AS DIRECTOR OF THE OFFICE OF THRIFT SUPERVISION HE WILL BE RESPONSIBLE FOR THE OVERALL ADMINISTRATION AND POLICY DIRECTION OF THE AGENCY. IN THIS REGARD HIS PRIOR EXPERIENCE DEMONSTRATES HIS ADMINISTRATIVE ABILITY AS WELL AS HIS CAPACITY TO MASTER COMPLEX AND TECHNICAL ISSUES. FURTHER, IT IS NOT UNUSUAL FOR A PRESIDENT TO APPOINT AN INDIVIDUAL WHO HAS DEMONSTRATED EXCEPTIONAL ABILITY IN ONE AREA TO A POSITION DEALING WITH ANOTHER. JAMES BAKER WAS TREASURY SECRETARY PRIOR TO HIS APPOINTMENT AS THE SECRETARY OF STATE. JOSEPH CALIFANO WAS A PARTNER IN A

WASHINGTON LAW FIRM AND SERVED IN THE DEPARTMENT OF DEFENSE BEFORE BEING APPOINTED SECRETARY OF HEALTH, EDUCATION AND WELFARE. ELLIOT RICHARDSON WAS UNDER SECRETARY OF STATE PRIOR TO BEING APPOINTED SECRETARY OF HEW. HE THEREAFTER SERVED IN THREE OTHER CABINET POSITIONS -- SECRETARY OF DEFENSE, SECRETARY OF COMMERCE AND ATTORNEY GENERAL--BEFORE BEING NAMED AMBASSADOR TO GREAT BRITAIN. NOT ONLY IS IT NOT UNPRECEDENTED, IT IS NOT EVEN UNUSUAL FOR A HIGH LEVEL GOVERNMENT APPOINTEE TO BE FROM OUTSIDE THE INDUSTRY OR AREA WHICH HE IS ASKED TO REGULATE.

FINALLY, I NOTE THAT THE ADMINISTRATION ACTED QUICKLY IN COMPLETING THE NECESSARY FBI AND OTHER BACKGROUND CHECKS IN ORDER TO FORMALLY SUBMIT MR. RYAN'S NAME TO THE SENATE. THE SPEED WITH WHICH THE ADMINISTRATION ACTED IS QUITE APPROPRIATE CONSIDERING THE IMPORTANCE OF THE ISSUES. I HOPE THAT THIS IS AN INDICATION THAT THE ADMINISTRATION, THE OTS, AND THE RTC WILL CONTINUE TO ACT QUICKLY IN RESOLVING INSOLVENT THRIFT INSTITUTIONS. FRANKLY, TO DATE I HAVE BEEN DISAPPOINTED WITH THE PACE OF THE RESOLUTION EFFORT. THE FIRREA LEGISLATION WAS PASSED IN AUGUST OF LAST YEAR, YET WE HAVE NOT SEEN THE KIND OF DRAMATIC STEPS THAT I EXPECTED. INSTEAD, IMPORTANT POSITIONS ARE STILL VACANT, AND LOSSES CONTINUE TO MOUNT. THE APPOINTMENT OF MR. RYAN

SIGNALS A TURNING POINT IN THIS PROCESS, AND I HOPE THAT WE WILL CONTINUE TO SEE PROGRESS IN RESOLVING THIS SITUATION.

The CHAIRMAN. Thank you, Senator Garn. We are going to proceed as we normally do in the order in which members have arrived. And, so we will go in that order. And, of course, we are all here so we will move through them.

Senator Graham from Florida.

OPENING STATEMENT OF SENATOR GRAHAM

Senator GRAHAM. Thank you, Mr. Chairman. Mr. Chairman, the American public does and the American public will hold us responsible for the stewardship of the thrift industry.

The savings and loan industry has many ominous and dark clouds hanging over it today. The question is what do we do today in order to try to influence to the best of our ability its future. We are in the midst of a book which will have many chapters.

And, I suggest that if today we are at chapter 9 that when chapter 11 is written it will be much worse than any chapter that has been written today. And, at that time it will not be acceptable to say, "If someone had done something differently in 1981, things would not be so bad. Or, if others had acted with greater expedition in 1986, we would not be where we are today."

The confirmation hearing we are holding today should have been held last August after the President signed the savings and loan bailout bill. On April 19, 1989, I offered an amendment to the Senate version of the bill to have the then Chairman of the Federal Home Loan Bank Board subject to reconfirmation. Thirty-eight Senators voted as to require reconfirmation. If we had done so then, we might have been able to ease the current Office of Thrift Supervision's problems.

I believe that reconfirmation was necessary for reasons which are relevant to the consideration of the nominee today, first, because the revised responsibilities under OTS left the Director with the sole responsibility for regulating all of the savings and loan industry and not as part of a former three-person board. Second, the Director will now be serving on the Federal Deposit Insurance Corporation where he will be one of five individuals overseeing the savings and loan insurance fund as well as the commercial banks insurance fund. Third, OTS has been moved from under an independent office of the Home Loan Bank Board to an agency under the Treasury.

The committee has been very concerned about this because of the possible potential political interference with the regulatory function of the savings and loan industry and, therefore, built some protections around the new office.

I said in 1989, and I underscore today, that we need someone who has judgment, the quality, the experience that warrant this new position. The Senate in its confirmation responsibility needs to decide whether the pending individual has demonstrated in the past the candor, judgment, vision and ability to be an effective regulator to secure the confidence of the American people.

We are in a debacle for which American economic and political history has never witnessed a parallel. The individual who will assume the leadership of the Office of Thrift Supervision will have a special responsibility to capture the confidence in the American people as to his or her ability to lead us out of this dark chapter of American economic history.

I will have questions to ask, Mr. Chairman, which will attempt to satisfy myself and hopefully other members of the committee as to whether the nominee possesses the unique talents, skills and qualities that are necessary for a unique responsibility.

The CHAIRMAN. Thank you, Senator Graham. Senator Pressler.

OPENING REMARKS OF SENATOR PRESSLER

Senator PRESSLER. Thank you very much, Mr. Chairman. I think that we should move swiftly to fill the office of Director, the Office of Thrift Supervision.

I look forward to hearing this nominee's views. I understand that over in the House they already have a proposal to abolish the Office of Thrift Supervision and transfer its functions to the Comptroller of the Currency.

But, whatever is decided, I think that some of these offices have been left vacant too long. And, I certainly will be a part of moving this nomination very quickly if that is possible.

I look forward to hearing the testimony of the nominee, Mr. Ryan.

Thank you, Mr. Chairman.

The CHAIRMAN. Thank you, Senator Pressler. Senator Wirth.

OPENING STATEMENT OF SENATOR WIRTH

Senator WIRTH. Thank you, Mr. Chairman. The record of accomplishments since this legislation was passed last August is a pretty sad one.

The RTC is moving extremely slowly. It acted on only 50 out of about 300 troubled S&L's. The private sector people that were meant to be appointed to the RTC, we just had the papers come up here I believe this week after this legislation was enacted last August. It seems to be a long way to—if there is any sense of urgency downtown, it is certainly belied by the slowness of this.

We have had almost no appointments to Regional Advisory Boards or the Federal Financing Bank Board. And, I think that just this week over on the House side there were raised some very interesting and very troubling questions about the administration's commitment to spending the funds that were made available to them on the enforcement and criminal charge side.

We had made available $75 million. And, we heard this week from the administration that maybe they weren't going to spend that money. And, that I think at a time when people are deeply concerned about many of the charges that have been made and the fact that there is a lot of criminal activity out there. And, that really troubles me.

The working capital availability question is another. So, overall the record isn't very good about a sense of urgency on this.

And, then I must say that Senator Graham is absolutely right. The administration ducked the confirmation issue. We got almost 40 votes before, but they ducked having a hearing on Danny Wall and all of the problems that had existed prior to the passage of the legislation.

This huge tangle that we face there is now, it seems to me, going to be further complicated by sending up the name of an individual who, while he may be very bright—I have no idea about that—has, as far as I can see from reading all the documentations, virtually no experience in any way, shape or form with anything in the field of financial services.

I mean, that is to me a remarkable statement by the administration. Now, maybe it's not.

But, I just look at this tangle of things that have not happened. I look at the ducking of the issue on the Danny Wall vote which Senator Graham just referred to. And, now we have a person being sent up who may end up be superbly qualified. I hope that that's the case, Mr. Ryan.

I will tell you that, as Senator Riegle said, there are many people on the panel who were troubled. I will tell you, I'm one of them. I would like—I would be much happier if we had in this situation somebody who had extensive experience with financial institutions, with financial service industry, who knew the nuances of that.

This is an enormously complicated area at best, and we are in a situation that is almost at worst.

Thank you very much, Mr. Chairman.

The CHAIRMAN. Thank you very much, Senator Wirth.

Senator D'Amato.

OPENING STATEMENT OF SENATOR D'AMATO

Senator D'AMATO. Thank you, Mr. Chairman. Mr. Chairman, let me commend you for expediting the consideration of Mr. Ryan's nomination. The sooner the cloud of uncertainty is removed from the position of Director of OTS, the better able the OTS will be able to conduct its difficult business, and that business is important to the taxpayers of the United States.

Mr. Chairman, I think probably I am going to take this opportunity—most of the time I just submit my statements for the record and we are all better off for it. I am going to try to do something a little differently here because you see, Mr. Chairman, I think that the legislation that this Senate went along with as a result of being whipped by a frenzy of who could do more to correct the abuses in the thrift and to protect ourselves. The Incumbency Protection Act was what resulted in that bill called FIRREA. Let me tell you something. If we wanted to look like we were really going to come down on them we did it. And I will tell you what we did. It cost the taxpayers billions and billions and billions of dollars more to date, tied the hands of the regulators so that if you have good, sound banks that cannot work out of a regulatory fiasco, the goodwill problem.

Now my good friend from Illinois and I went through this. We debated this. We felt ourselves on the horns of the political dilemma. Do we want to be suggesting that banks that might be considered to be insolvent because they took on supervisory goodwill, that somehow we are going to be in league, in cahoots with them? My gosh, the tougher the requirement could be, let's do it. Put it to them. Well, you put it to them.

You have sound institutions that went out there and that because of the urging of the regulators, took on unsound ones. They are making money by every standard, but there is no flexibility for the OTS, and so now we put them on the endangered species list, and when we do that we devalue them by as much as 40 to 50 percent automatically. And then we are going to put some grade 14 or 15 operative in there to manage a thrift, and we throw the housing industry into a turmoil, we throw good builders and developers into turmoil, we throw institutions that employ people and are important to the community into turmoil. I mean that is incredible. And that is what we have done.

Let me just point out three little areas. I will mention only three of them. The junk bond divestiture. Junk bonds—terrible! bad! So, now we require mark to market accounting. Thrifts have got to get rid of them. But provide no time frame for that, no orderly transition. We take securities that may have some good, solid value. But let me tell you, just hang on the word, "junk," it is bad, it is evil. OK. We are happy. It costs the taxpayers billions of dollars. Loan to one borrower limitations. Sure. Some fellows have been loaning to a good, successful home builder and because we say you can't put more than 15 percent out there at any one time, and that bank has 20 or 25 percent with the best builder, developer. Not a speculator. He can't continue. Now we have got a builder, he can't continue. He has houses that are not going to go up. He can't go into permanent financing. There is nothing he can do. So, we put him out of business. We depress the value of real estate. We hurt the bank, and we don't give them any flexibility to say, "listen, let's give a transition. Two years, 3 years, 4 years." No, we just slapped it on. Terrific, what we did. It cost the taxpayers, again, billions of dollars. Depressed the market just a little bit more.

Now, let me end up with the other one, supervisory good will. Oh, the grandaddy of them all. Should we be ashamed of ourselves? The Government comes to somebody and says, "Listen, you can manage it. They are in the hole," and I have a bank out there, Long Island Savings Bank, I don't have any interest with them, my God, my brother doesn't represent them. I hope he doesn't. Nobody else does in my family that I know of, but you know, what an incredible situation.

They take on the sick and ailing bank, put capital in, we promise them we are going to keep them separate, but now under the law we pass we say the regulator can put them together and now we have an ailing institution because we decided that there would be no flexibility. That if it is forced into what the regulators would have it do and what we have prescribed will cost the taxpayers hundreds of millions of dollars if not billions of dollars. Sick. Sad.

While much is presently being said and printed about delay and disarray at RTC and OTS, we in the Congress must recognize that we helped create this situation. We exacerbated it and as Senator Garn indicated, when we were called upon to pony up and put up the dollars in 1987, we weren't there.

Now, in our zeal to protect, yes, our own interest, and to appear tougher on the crooks and criminals, I think we grossly overreacted to excesses which did exist in the industry. We have not protected the taxpayers, Mr. Chairman.

In fact, it is the taxpayers who continue to pay for this debacle so long as the thrift industry struggles with those unreasonable regulations and without giving regulators the ability to discern good operators from those who aren't meeting their mandates. Even the profitable—70 percent of the thrift institutions are not making a sufficient rate of return to attract much needed private capital. And as many of us have said and recognized, what we are looking towards in this process was the private capital as the only alternative to continued and growing taxpayer costs.

Mr. Chairman, I have serious doubts about FIRREA. However, the best thing Congress can do now is to confirm the President's nominee, and show some patience with the process which we created. And only after a period of relative stability and continuity at OTS and RTC can we confirm the growing uncertainly that the thrift bill is in need of adjustment, and I believe it is.

I am going to urge Mr. Ryan to move as expeditiously as possible after his confirmation to search his FIRREA mandate for some much needed flexibility in the regulation of thrifts despite the howls of those in the Congress who want to be seen as the toughest guy in town on the thrifts. And if he is unable to find sufficient flexibility, I think there are a number of cases where he will not be able to find that, to avoid further unnecessary cost to the taxpayers and come back here to the Congress and lay it out on the table with specific legislative proposals as soon as possible.

The President has asked Mr. Ryan to assume a difficult job at a crucial time. His success or failure at OTS means billions of dollars to the taxpayers. And I hope that we would move this nomination, notwithstanding some questions that may exist.

Thank you, Mr. Chairman.

The CHAIRMAN. Thank you, Senator D'Amato. Senator Dixon.

OPENING STATEMENT OF SENATOR DIXON

Senator DIXON. Well, Mr. Chairman, first of all let me say that I, too, express my appreciation to you for the expeditious manner in which you have called this hearing. Particularly in view of the court decision, which I think is something that we have to be very concerned about.

I just want to be candid with my colleagues on this committee. You know, the President has had 5 months to consider a nominee here, and I am sure that Mr. Ryan is a perfectly decent fellow, but all the information I have is that he doesn't know anything about the thrift industry, or anything about the larger financial services industry.

I just don't think that that represents the kind of nominee that we ought to have under consideration right now for confirmation by this committee. I want to be candid when I say that for this reason. I think that we are in a serious time constraint here. Something needs to be done. There is a court decision. Every one of my colleagues has expressed their concern about this problem. Maybe it is not fair to state this, but I think it is almost a unanimous perception on this committee that this work is not going forward in a very significant and expeditious way. I would like to respectfully suggest to the Chair that we ought to vote very shortly on confirmation here and determine whether there are the votes here for this nominee or not.

I have serious reservations, and if this is not to be the confirmed nominee, I think the administration ought to know that. If that is the case I think the administration ought to consider finding someone that everybody in the banking community will respect as an outstanding authority on our thrift problem and our financial service industry problem who can do a first rate job in this very difficult task.

So, I congratulate the Chair on having the hearing and I suggest we ought to have a vote very quickly, at the first opportunity the Chair believes is an appropriate opportunity, for everybody to have their full say and for the hearing to be carried out in a forthright manner, and then if this is not the man that should be the new Director of Thrift Supervision, I think the administration ought to get us somebody highly qualified as expeditiously as possible.

The CHAIRMAN. Thank you, Senator Dixon. I want to acknowledge that Senator Bond was here and had to leave and may well return. Senator Heinz.

OPENING STATEMENT OF SENATOR HEINZ

Senator HEINZ. Mr. Chairman, I just want to make three brief points. The first is that there has been a lot of discussion from members of this committee about the savings and loan industry, and the basket cases and the hemorrhaging and the brain dead thrifts, and it is true they received the limelight.

But in all that, and it is relevant to this position, we shouldn't lose sight of the fact that the majority of savings and loans are honest, and they are working hard to meet the credit needs of their communities. And anything we might say about the failures of the past should not diminish that most of the industry is out there and working very hard to advance national priorities that everybody agrees needs to be advanced.

The second point is that the Director of the Office of Thrift Supervision is responsible for these healthy thrifts and making sure they don't get sick. And it is his task to ensure that they all live up to the high standards that we established several months ago in FIRREA whether we think all of those standards are appropriate or not, as Senator D'Amato spoke to quite eloquently a moment ago.

But in a sense, therefore, the Director of the OTS is the taxpayers' caretaker, and if you will, the Director of the RTC is the Government's undertaker. The taxpayers will shoulder the cost, Mr. Ryan, of every thrift that fails and that has to be moved from the caretaker's cradle to the undertaker's, RTC's, grave. And your job, should you be confirmed, is to make sure that we have, if possible, no further failures among the healthy thrifts.

My last point, Mr. Chairman, is that—and Senator D'Amato touched on this, is that the Director of OTS will have to follow the rules set by Congress. But, we do ask the Office of Thrift Supervision to make recommendations to us if there are rules which we have established which are counter-productive and costly to the taxpayer, because Congress may have made mistakes, however unintentional they might be.

At our oversight hearings on the Resolution Trust Company last January, the members of the Oversight Board and the RTC suggested that there may be ways to improve the health of savings and loans without jeopardizing the safety of the deposit insurance system. So, Mr. Chairman, I hope that any new director, Mr. Ryan in particular, has the vision to spot prudent ways to improve the health of our thrift industry and the judgment to make that which he sees are necessary.

Thank you.

The **Chairman**. Thank you, Senator Heinz. Senator Kerry of Massachusetts.

OPENING STATEMENT OF SENATOR KERRY

Senator **Kerry**. Thank you very much, Mr. Chairman. Are you sure you still want this job, Mr. Ryan?

Mr. **Ryan**. Yes, Senator, I do.

Senator **Kerry**. Let me just join my colleagues in expressing a concern which I think is mounting minute by minute on the Hill and elsewhere.

I remember well that late night, early morning when Senator Graham and Kent Conrad and some of us were hoping we were going to get a chance on the Senate Floor to vote on what finally came out of the Conference Committee and we did not have that change to express misgivings at that point in time, at least through a vote.

It is my perception that FIRREA and the RTC may well be FSLIC revisited and that we are in the process of watching history repeat itself.

I think there are funding issues. Issues of understanding. The complexity of the disposition of the amount of real estate assets involved. Structural problems. Turf struggles. Incapacity between Treasury, RTC, OTS, et cetera, to resolve differences. That handicap of the capacity to be able to deal with this in a way that the problem simply doesn't permit.

Yesterday's headlines brought the story home about as significantly as ever. The paper said losses at savings and loans were the biggest ever. The savings and loan industry had the worst year ever in 1989, with losses over $19 billion, and that loss is nearly $6 billion more than the year before.

The New York Times reported that 485 institutions had losses from operations of $2.6 billion in the quarter, which works out to a loss to taxpayers of $29 million a day for as long as ailing institutions have stayed open in the last 3 months of 1989. That is astounding. And it is absolutely unacceptable.

We are now hearing that this may cost taxpayers an additional $200 billion simply to close the failing ones, and to protect the depositors. But that is only part of the picture. Then you have the question of S&L's that are supposedly healthy.

Yesterday, again, it was reported that in the 4th quarter alone 581 institutions that had not been scheduled for Government seizure had a total loss of $1.3 billion. And the problem is, as Senator

Wirth has said, and Senator Graham and others have articulated, is that this process is proceeding at a snail's pace, almost without an acknowledgement or awareness in terms of the energy and commitment and expertise being applied to it, that it is, indeed, the size crisis that it is.

I believe that an environment has now been created which may be so dangerous that there is the potential to see the entire industry pulled, and even the so-called healthy institutions pulled into a semblance of financial ruin, which is only going to compound the existing situation.

The Wall Street Journal, in an editorial in January, suggested that Washington has an uncomforting capacity to believe that when you pass a law you somehow solve the problem, and I think this is a classic example of how that is, in fact, not true.

The infighting, the lack of coordination, the slowness in sending people up here for confirmation, the lack of focus, the red tape, all of these I think combine to present us with a crisis of enormous proportions at this moment in time that, frankly, parallels what we began with when we sat here constructing FIRREA in the first place.

So, I share the deepest concern expressed among my colleagues, and not about your personality, your other matters, because I don't know a lot about those, but about the question of whether or not you are the right person. Whether you come here with the size shoes it is going to take to deal with this problem. With experience in finance, and real estate, and institutional administration, and all of those things that I think are critical to resolving this issue.

And, Mr. Chairman, we have to move on this faster than we have, perhaps, moved on any other nomination and we have to vote immediately as Senator Dixon has suggested. And depending on the outcome that we have to place far more pressure on the administration to move than has been placed on this, and far more scrutiny.

The CHAIRMAN. Thank you, Senator Kerry. Senator Mack.

OPENING STATEMENT OF SENATOR MACK

Senator MACK. Thank you, Mr. Chairman. Mr. Ryan, welcome. I am not going to try to rehash what has happened in the industry, or what we did with the bill. I think that has been pretty well stated. I maybe look at this from a slightly different perspective, having served 16 years in the banking business operating a commercial bank, having worked with regulators and having some understanding from that perspective, and realizing the difficulties that are taking place with the different institutions throughout our nation, regardless of their capital structure.

As was mentioned, the rules have been written, but that doesn't mean you don't have a lot of difficult decisions you are going to have to make just in the few short months—or over the next few short months.

And what concerns me, frankly, is that under this very difficult circumstance, you don't have the financial—you don't have the background or the scope of knowledge, if you will, to try to understand what is, in fact, taking place in the trenches of those financial institutions in the country. As one of my colleagues has indicated, there are a number of them out there that are honorable, working well, earning profits, and of value to their communities.

Again, I have not drawn a conclusion at this point as to how I would vote, but I have got to tell you I do have some deep concerns about the decision that we are being asked to make at this point, and its potential impact on a very troubled industry. So, I am going to be listening very carefully to try to get a feel for how one in your position is going to be making decisions as they affect our communities and our country. It is a difficult one and, again, I will be very interested in your responses.

Thank you, Mr. Chairman.

The CHAIRMAN. Thank you, Senator Mack. Senator Shelby.

OPENING STATEMENT OF SENATOR SHELBY

Senator SHELBY. Thank you, Mr. Chairman. Mr. Ryan, I appreciate your courtesy in coming by my office and having a conversation with you yesterday. I knew this was a fast track appointment, but I didn't know it was that fast. And that bothers me.

After looking into some of your background, which I did not have yesterday—I did have a nice conversation with you—you look to me like you would be certainly a candidate for Secretary of Labor or something like that based on your experience and background, but it is very troubling to me that you have hardly any, if not inadequate experience, in dealing with financial institutions.

You haven't served as a CEO or general counsel or anything else to my knowledge there as I was looking over your bio and so forth. This is a big job. This is an important job, and I think what comes back to me is can we on this committee here in the Senate afford to make another mistake? Can the President afford to make another mistake? Because this is a tremendous thing.

We are talking about protecting the taxpayers any way we can. This job, if you were confirmed for it, you would be right in the throes of this. But would you have to learn on the job? I am not questioning your educational background, your commitment and your knowledge of pension funds and labor. Obviously, you have served well and are a quick learner, but this is one of the biggest jobs in Government, and that bothers me tremendously, the fact that you don't have the background, as far as I know, in that area, and I will be interested in your comments later on as to whether you can show me that you do.

Thank you, Mr. Chairman.

The CHAIRMAN. Thank you, Senator Shelby. Senator Sasser.

OPENING STATEMENT OF SENATOR SASSER

Senator SASSER. Thank you, Mr. Chairman. I will be relatively brief here. I do want to say a few words to set the record straight, however. There seems to be a conventional wisdom out there, and I have heard it expressed today, that the problem with the savings and loan industry is the result of something Congress did or did not do over the past 2 or 3 years.

Now, Mr. Chairman, you and I both know the problems with the S&L industry started back in 1979, and perhaps even a little earlier, when we saw interest rates spike up to 21 percent. S&L owners, operators, stockholders and managers, were telling us that they were sitting there with asset portfolios of 6½ percent mortgages but were having to pay 20 percent to attract money into their S&L's.

Now, we are still paying the price—the thrift industry is—and now the American taxpayer is, for shaking the inflation out of the economy that was done principally by a very tight monetary policy in the late 1970's and in the early 1980's.

Unfortunately, when the Reagan administration came in, the buzz word was deregulation. We went along with some deregulation here in Congress and I, in retrospect, think that was probably a mistake. But more importantly there was inadequate supervision of the S&L's as they moved into this deregulated environment.

Some were coming to OMB and said, "we need more personnel to supervise this deregulation," but we had pressure of budget cuts, cutting domestic spending, the largest budget deficit in the peacetime history of the country, et cetera.

Now those, I think, those things are the germ of this problem that we find ourselves in today. There have been mistakes made along the way for sure. In my view, we may have ratified some nominations that were sent up here in the early days of the Reagan administration for some of these posts without really examining their qualifications. And we paid a price for that.

Today, I am not expressing any view on Mr. Ryan's qualifications, because I haven't had an opportunity to fully review them. But I do think that we should carefully review them and make sure that he is qualified to handle this particular job in a very critical time. We don't want to have another stacking of errors here at the eleventh hour.

But I did want to call my colleagues attention to the fact that the basic problem is not what Congress did or did not do over the past 2 or 3 years. This problem in the S&L industry was one that was caused, I think, principally by distortions in the economy and particularly in monetary policy that occurred in the late 1970's and early 1980's.

Thank you, Mr. Chairman.

[The complete prepared statement of Senator Sasser follows:]

Jim Sasser

STATEMENT OF SENATOR JIM SASSER, NOMINATION OF TIMOTHY RYAN, SENATE BANKING COMMITTEE, MARCH 28, 1990

MR. CHAIRMAN, I AM PLEASED THAT YOU HAVE CALLED THIS HEARING TODAY ON THIS IMPORTANT NOMINATION. I UNDERSTAND THAT THE ADMINISTRATION JUST SENT MR. RYAN'S PAPERS UP HERE ON FRIDAY OF LAST WEEK, SO YOU ARE MOVING WITH GREAT DISPATCH.

THE PRESENT SITUATION IN THE SAVINGS AND LOAN INDUSTRY CONTINUES TO BE THE MOST SERIOUS FINANCIAL CRISIS THAT THIS NATION HAS FACED SINCE THE 1930S. LAST YEAR'S RESCUE LEGISLATION ENSURED THAT DEPOSITORS IN FEDERALLY-INSURED SAVINGS AND LOANS WOULD NOT LOSE THIER SAVINGS, NOTWITHSTANDING THE INSOLVENCY OF THE INURANCE FUND. THE LEGISLATION WAS CRITICAL -- IT MAINTAINED PUBLIC CONFIDENCE IN THE BANKING SYSTEM, THE UNDERPINNING OF OUR ECONOMY.

YET, AT THE SAME TIME THIS RESCUE WAS NOT CHEAP. INDEED, ITS COSTS ARE MOUNTING AND IT WILL BE WITH US FOR SOME TIME.

THE SERIOUSNESS AND THE COST OF THE ISSUE DICTATE THAT WE CHOOSE THE **MOST** COMPETANT PEOPLE TO ADMINISTER THE RESCUE AND TO REGULATE THE SAVINGS AND LOAN INDUSTRY. WE OWE NOTHING LESS THAN THIS TO THE TAXPAYERS.

MR. CHAIRMAN, I'M INTERESTED IN HEARING MR. RYAN'S TESTIMONY AS TO HIS QUALIFICATIONS TO BE THE DIRECTOR OF THE OFFICE OF THRIFT SUPERVISION. AGAIN I COMPLEMENT YOU ON YOU SPEED AND THE IMPORT THAT YOU ARE LEVYING ON THIS NOMINATION. THANK YOU.

The CHAIRMAN. Thank you, Senator Sasser. Senator Cranston.

OPENING STATEMENT OF SENATOR CRANSTON

Senator CRANSTON. Thank you very much, Mr. Chairman. I welcome Mr. Ryan to the committee. I have had an opportunity to meet with him, to discuss his qualifications. Mr. Ryan evidenced a strong legal background and a commitment to public service to our country. He will need every bit of that to tackle the difficult problems facing the thrift industry.

I want to express my concern that the administration did not seem to have planned adequately for the vacancy at the Office of Thrift Supervision, an agency that is the focal point of the thrift crisis. They have known about this impending vacancy for several months. Now, Mr. Ryan, we are being sort of whipsawed into rushing your nomination through because of the crisis in the courts over the legality of the prior Director in his occupancy of this post.

Additionally, I am concerned, and I share the concerns of others that have been expressed, that you do not have any background in financial matters and, presumably, won't be able to hit the ground running if confirmed.

Obviously, the thrift industry is in a very critical period of restructuring, with tremendous taxpayer sums at stake and there is great need for an individual with strong leadership and extraordinary judgment, as well as the technical knowledge of the industry. I hope you have the capacity to provide that leadership and that judgment and can swiftly acquire the technical knowledge. This is an emergency situation. We want to be as helpful as possible in dealing with your nomination promptly and swiftly.

I look forward to hearing your vision of your future in this job and how you will manage the Office of Thrift Supervision.

Thank you.

The CHAIRMAN. Thank you, Senator Cranston. Senator Dodd?

Senator DODD. Mr. Chairman, I have no opening statement.

The CHAIRMAN. At this point, I want to cover one item. We have both Senator Warner here to make a comment in support of the nominee who is not a member of the committee. We have Senator Metzenbaum who is here who has asked to make a statement. Do you wish to make an opening comment, as well as questions? All right, I am going to call on you for that purpose in just one moment.

I know Senator Sarbanes also hopes to arrive in the committee, and at the point he does we will try to accommodate him for any opening comment.

I want to touch on one matter that needs a little illumination in terms of why we are here on an expedited basis. When Secretary Brady called and then sent his letter to me, it was because as others have referenced, there is a court test underway as to the constitutionality of the current Director of OTS being able to serve, or the now Acting Director being able to serve.

So, we had agreed in part, because of that, to move on an expedited basis, but we had Mr. Mullins, who is now a nominee to the Federal Reserve Board before this committee, in this very room, on last Friday who I am sure Senator Garn will recall and other members will, was one of the chief architects, if not the chief architect, of the administration's Savings and Loan Reform Plan when it was drafted and sent over by the Treasury Department last year. So, in response to questions that Senator Graham and others have raised here today, I asked Mr. Mullins the other day in some detail about the origin of that part of the law which has now become possible sticking point—certainly it is in the courts, and it occasions the need to try to move rapidly with respect to this nomination.

So, in doing so I have made these comments and I want to just read this into the record, because many of you were not able to be here. We handled that nomination on an expedited basis in an afternoon, on a Friday, so many were not here to hear that discussion. But I just want to read a little bit into the record and I will start with my comment to Mr. Mullins, which is as follows:

I took a look today at the original proposal that you helped write, which was sent up by the administration and introduced by request on February 22 of last year, and I went to the provision that deals with this to find out exactly what the administration's thinking had been. It is found on page 186 of the bill as sent up by the administration.

And with respect to the Chairman of the OTS, it says here on that page, and I then quote: *Provided, however,* That the individual serving as the Chairman of the Federal Home Loan Bank Board on the date of the enactment of the Financial Institutions Reform, Recovery and Enforcement Act of 1989, shall be the Chairman until the date on which his term as Chairman of the Federal Home Loan Bank Board would have expired, notwithstanding section A, which makes another reference to it.

Are you familiar with that and do you recall this? Mr. Mullins responds: Vaguely, Mr. Chairman, yes, sir. It is true that our original proposal was different, because originally we did not propose splitting out the Federal Home Loan banks themselves, and so the only change to the Federal Home Loan Bank Board, in effect, was the splitting off of FSLIC.

So, it was less dramatic, at which point I then interrupted to say this: Well, I am raising a different point. I am raising a point with respect to the Chairman position of the OTS and the fact that the recommendation of the administration, as I read this language, and I will send it down for you so that you can take a look at it, makes it very clear that you envisioned that the sitting Chairman would serve to the end of the term. You are not saying that you don't remember that, are you? Mr. Mullins: No, Mr. Chairman. I think that was the proposal. Mr. Chairman: So, I take that to mean—it was my assumption then and it is my assumption now, that that was the intention the administration had. Am I correct in that? Mr. Mullins: Yes, Mr. Chairman.

Then I continued: Because that issue has now come up in terms of where the idea came from, and it came right out of your bill, did it not, out of your proposal? Mr. Mullins: Yes, Mr. Chairman. All the leadership of the FDIC and the Bank Board would have gone past through the bill and stayed in place.

Then I asked this question: And I take it that the question would not have arisen in the drafting group which you were part, as to whether or not a legal challenge could later be made with respect to the confirmation process. Do you recall it ever coming up? And Mr. Mullins answered as follows: Well, I think it probably was considered, Mr. Chairman, and looked into but I thought people did not feel it was a serious possibility because you took an existing agency and took away some of its subsidiaries and passed it over through the bill, and I think it was looked at—that issue was looked at—but I think the conclusion was that we thought we were on sound ground. Did it relate also, I suppose—now I speak again. The Chairman: Did it relate also, I suppose, to the fact that you were bringing that office in under the—and Mr. Mullins completes the statement: Under the Treasury Department. The Chairman: Yes, under the Treasury Department. Mr. Mullins: Yes, Mr. Chairman.

So, there is a very clear history as to why we are here today on an expedited basis, and where that proposal came from and word for word comes right out of the proposal that the administration sent down to us and it was enacted in the form in which they had requested.

And obviously, according to Mr. Mullins testimony, they took a look at it, didn't think they had a problem, now find they do, and that really is the basis upon which they now seek to move on an expedited basis.

So, I think it is very important that the record be clear on this because it is a key issue, and others have raised it, and I want the record clear on it.

Senator Metzenbaum, you asked to make an initial comment, and then I will go to Senator Warner.

OPENING STATEMENT OF SENATOR METZENBAUM

Senator **Metzenbaum**. Thank you, Mr. Chairman. And I thank the other members of this committee for giving me the opportunity to be heard.

Frankly, I have come to indicate my concern about this appointment, have not come to offer my support nor to voice my opposition at this point.

I do want to talk, ask some questions of Mr. Ryan, about his previous activities in public office, and his activities after he left public office. I want to make clear that I consider this matter to be, at this particular time, and this particular situation, probably the most important nomination—the most important nomination the President will send to the Senate during this Congress.

Well, the taxpayers won't be responsible for the $19 billion that several have mentioned previously that was lost last year, it won't be responsible today or tomorrow, it is entirely likely that the American taxpayer will pay much of that amount, and more, if the Government needs to take control of many of those institutions.

The Director of the Office of Thrift Supervision, for which Timothy Ryan has been nominated, has the authority to charter, supervise and regulate savings and loans. The Director of OTS serves as one of the five Board members of the FDIC, the agency which insures the Nation's banks and savings and loan institutions.

In addition, the OTS Director will serve on the five member Board of the Resolution Trust Corporation, which is directly responsible for managing and disposing the assets of ailing thrifts. Clearly, responsibilities of the Director of OTS are daunting, broad and powerful. Clearly the nomination to this post is of greater consequence than most Presidential appointments.

The duties of the Director entail much more than simply the development and implementation of the President's policies. Decisions of the Director must be free from political influence or personal lobbying.

The new Director of the Office of Thrift Supervision will see this Nation through either successfully or unsuccessfully its worse financial crisis since the Great Depression.

I do not mean the worse crisis in the financial industry; I mean a national fiscal and budgetary crisis of the highest order. The hundreds of billions of dollars swirling down the drain in this matter threatens the Government's future ability to support the program the American people want.

On the Labor and Human Resources Committee on which I serve, we struggled to maintain funding for the Head Start program at something just over $1 billion. Members of this committee are currently going hammer and tong with Secretary Kemp over a difference of several hundred million dollars in support for the Nation's housing program. And Jim Sasser and his committee, the Budget Committee, and Sam Nunn at Armed Services struggle over the so-called peace dividend which could net us anywhere from $3 billion to $15 billion. Those amounts are peanuts compared to what is involved in the savings and loan crisis.

In my opinion, therefore, the Director must be the most qualified individual available. The Director that we eventually confirm, in my opinion, must have a record which is above even a whisper of impropriety. It will be the responsibility of this committee first, and later the full Senate, to determine if Mr. Ryan is that individual.

Mr. Chairman, I will have a number of questions relating to Mr. Ryan's past Government service, and his subsequent experience in the private sector. There have been questions raised in the past regarding conflict of interest with respect to the relationship of Mr. Ryan's public and private careers.

It is my intention, with your permission, to raise and my hope to resolve those questions, in connection with his appointment. From the years 1981 to 1983, Mr. Ryan served as Solicitor at the Department of Labor. As Solicitor of Labor, he was heavily involved in matters regarding the Teamsters Central States Pension Fund. The Department of Labor appointed former Senator and Attorney General William Saxby as a Special Counsel to the Central States Fund.

When Mr. Ryan left his position as Solicitor and returned to private practice, Mr. Saxby joined Mr. Ryan's law firm as counsel, and thereby gained the Central States Fund as a client worth hundreds of thousands, and probably millions of dollars.

Also as Solicitor, Mr. Ryan was involved in the investigation of the National Maritime Union, and the Union's election process. After he left the Department of Labor, Mr. Ryan was hired by the Union leadership to defend itself against charges that the election process was unfair and undemocratic.

In 1985, while in private practice, Mr. Ryan was appointed by Labor Secretary Brock to serve on the Employee Retirement Income Security Act Advisory Council. Mr. Ryan chaired the Council's task force on pension reversions. As Chairman, Mr. Ryan actively supported a policy position which would allow employers to transfer excess pension benefits to pay for retiree health benefits.

At that time, Mr. Ryan represented the Washington business group on health, which supported this policy. In addition, we are informed that Mr. Ryan represented other clients that stood to benefit from such a policy.

In 1986, the Department of Labor learned from a newsletter that Mr. Ryan represented the Employee Stock Ownership Plan, ESOP association, during the period that the Advisory Council was reviewing a number of ESOP issues. The Department of Labor asked Mr. Ryan to choose between his service on the panel or his client, and Mr. Ryan resigned from the Advisory Council.

So, you have four separate instances in which you find questionable conduct and activity on the part of Mr. Ryan. And in most of those instances, it winds up that his firm or he receiving substantial income as a consequence of his activity.

Together, these issues raise basic questions about Mr. Ryan's sense of propriety with regard to his Government service. I know well of the sense of urgency felt by the administration and by this committee with regard to this position. I share that sense of urgency.

I strongly believe that we best serve the taxpayer if we proceed carefully and cautiously in this instance. The stakes are extremely high in this case. Quite literally, I don't know that the country can afford a mistake made in haste.

With that note of caution and concern, I thank the committee for its courtesy and consideration. I look forward to hearing from Mr. Ryan and the other members of this committee, and at an appropriate time to ask him a number of questions. Thank you, Mr. Chairman.

The CHAIRMAN. Senator Warner, we are delighted to have you with us today. And, you have been most patient and this is obviously something about which the committee has great feeling and interest. And, we are very much interested in your point of view, and we would like to have you address us at this time.

OPENING STATEMENT OF SENATOR WARNER

Senator WARNER. Thank you, Mr. Chairman and members of the committee. In the nearly 12 years I've been here I've not experienced a more intense or thorough preliminary examination of a nominee.

And, I'm here to say we welcome it. I say we because the President, the Secretary of the Treasury, and, to some extent, I have been involved in this nomination. And, we are going to stand by this man.

The intensity of this preliminary series of statements reflects, in my judgment, the importance of the position that he is about to assume subject to the confirmation of the Senate. And, it will also bring out the individual that I've known for some 14 years and known well, both professionally as a lawyer and personally, together with his lovely wife and two children, who unfortunately could not be here today.

I assure you that he possesses such strong leadership capability. He has the qualities to make the difficult decisions, the judgment decisions. The man is tough. The man is fair. The man is honest.

Now, there is a question as to whether or not, although his background is quite varied and extensive in the practice of law and in certain administrative positions that he has had, he has the experience to hit the ground running. I think he does.

And, I think the President made a wise decision not to reach into the very community in which he has to operate, the banking and financial, to pick an individual who might be able to come up here and completely dissolve any question of conflict of interest. That's to this nominee's advantage.

Now, the material before you reflects the various things that he has done in his career. Currently, he is a partner in the Washington, D.C. law firm of Reed, Smith, Shaw & McClay and has had prior thereto a distinguished career.

As a graduate of Villanova University, he went on to the American University Law School. He began practicing law as an attorney-advisor to Ralph Kennedy of the National Labor Relations Board; and, thereafter was associated with the firm of Venable, Baetjer & Howard.

In 1981, President Reagan appointed him to be Solicitor of Labor at the U.S. Department of Labor. In that position, he directed an intergovernmental task force designed to establish independent control over the Teamsters' Central States Pension and Health and Welfare Funds.

And, at that juncture, I would like to refer to a letter which is being made available to members of this committee and the Senate. It is addressed to a member of the Senate not on this committee, but it's interesting. It reflects the bipartisan nature of the support that this outstanding man has.

He had a former colleague and friend, Marty Steinberg, who at one time was the Staff Director of the Senate Permanent Subcommittee on Investigations. And, were he here today, he would advise this Committee that "Tim is an old and close friend in whom I have a great deal of trust and confidence. He was Solicitor of the Labor Department who used his considerable legal skills and powers of persuasion to obtain a significant and binding agreement from the Teamsters' Central States Pension Fund in response to your—that is the Subcommittee on Investigations—hearings. I worked closely with Tim during that difficult time and I admired his intelligence, judgment, integrity and forcefulness. In my opinion, Tim had a significant impact with respect to cleaning up the Central States Pension Fund and Health and Welfare Funds. I have followed Tim's career through the years and I have been impressed with his many accomplishments and with his significant ability and outstanding legal talents."

Mr. Chairman, he is a member—and we have listed this in his curricula vitae—of all of the particular courts in the Federal system. And, I am pleased to provide and respond to any other inquiry that might be put to this Senator as his sponsor here today.

I will not remain, because I am confident he can carry forward on his own. But, I'm available to any member of this committee should it be helpful to facilitate your making the decision on behalf of this outstanding and very able American.

Thank you, Mr. Chairman.

The **CHAIRMAN**. Thank you, Senator Warner. You are held in great esteem by me and other members of this committee. And, we appreciate your coming and giving us your view.

And, it's an important one. And, we appreciate having it.

Senator **WARNER**. Thank you, Mr. Chairman.

The **CHAIRMAN**. With that, Mr. Ryan, if you will, please stand for the oath.

Raise your right hand. Do you swear that the testimony you are about to give is the truth, the whole truth and nothing but the truth, so help you God?

Mr. **RYAN**. I do.

The **CHAIRMAN**. Do you agree to appear and testify before any duly constituted committee of the Senate?

Mr. **RYAN**. I do.

The **CHAIRMAN**. Please be seated. Mr. Ryan, you have been seated there now for some period of time. And, I know you have family members not present with you, as I take it, but certainly I assume watching on the television broadcast that is being done here.

So, please make any acknowledgements that you wish to make of a personal sort and then we would be pleased to hear your opening comments to us.

STATEMENT OF T. TIMOTHY RYAN, NOMINEE, DIRECTOR, OFFICE OF THRIFT SUPERVISION [OTS]

Mr. **RYAN**. Thank you, Mr. Chairman. Mr. Chairman, members of the committee, it is a very great pleasure to appear before you this afternoon.

Initially, let me thank President Bush for the confidence which he has shown in me by this nomination. Similarly, I would like to express my appreciation to Secretary Brady for recommending me to the President for this most important job.

Finally, let me thank the committee and its staff for its prompt consideration of my nomination.

As you know, the thrift industry is in a period of transition. Congress and the administration recently worked together to enact the Financial Institutions Reform Recovery and Enforcement Act of 1989 [FIRREA], which is designed to strengthen the thrift industry while assuring the availability of mortgage financing for all Americans.

If confirmed, I will devote my full efforts to implementing and enforcing this historic legislation.

The Office of Thrift Supervision [OTS] is given a mandate in this legislation: Ensure the safety and soundness of the thrift industry through vigorous supervision and enforcement.

Many dedicated public servants spend hours and hours each day assuring that this mandate is fulfilled. They are at the cutting edge of Government service.

I am honored that President Bush and Secretary Brady have asked me to lead the men and women of OTS in this effort.

If confirmed by the Senate, I would assume the OTS responsibilities with almost two decades of experience in both the public and private sectors. My most recent Federal appointment took place in 1981 when President Reagan, with the advice and consent of the Senate, appointed me to the position of Solicitor of Labor. In that position, which I held until 1983, I was responsible for all legal activities of the Labor Department, its legislative program, and served as legal advisor to the Secretary of Labor.

As Solicitor, I had ultimate responsibility for the management and direction of approximately 1100 personnel, including 600 attorneys, in one of the largest Cabinet departments, including broadscale delegated litigation authority in Washington and 16 field offices enforcing a vast array of statutes: at that time, 45 separate statutes.

As to my private sector experience, I have been associated as a partner with Reed, Smith, Shaw & McClay, including Pierson, Ball & Dowd, which merged with the firm, since 1983. At present, I am a member of the firm's executive committee.

The clients of this national law firm include many of the major corporations and financial institutions in American. My activities at the firm have included representation of clients in the ERISA fiduciary and litigation areas, as well as general Washington representation for various clients in multiple business sectors.

If confirmed, I pledge to work with the Congress and others in Government to regain and to keep the public confidence in the thrift regulatory system. This goal will be attained through a number of actions.

First, orderly and effective administration of the thrift laws in close coordination and consultation with the Departments of Treasury, Justice, the other financial regulatory agencies and the Congress.

Second, effective prudent enforcement of capital requirements invoking conservatorship or receivership procedures as appropriate.

Third, aggressive, fully coordinated, pursuit of those who have abused the depository insurance system. This should be accomplished by criminal prosecutions where appropriate and civil damage and penalty actions.

And, last but not least, energetic leadership of the thrift regulatory agency, the OTS.

In closing, Mr. Chairman, I would welcome the opportunity to appear frequently before this committee and its House counterpart to keep you and your colleagues in Congress fully apprised of my progress in meeting these goals should I be confirmed by the Senate. Also, I pledge full cooperation with your dedicated staff who serve an important role in our governmental structure.

Thank you again for your prompt consideration of my nomination. And, I welcome your questions.

The CHAIRMAN. Thank you, Mr. Ryan. We have been joined by Senator Sarbanes.

Senator Sarbanes, did you have any opening comment that you wished to make at this point?

OPENING STATEMENT OF SENATOR SARBANES

Senator SARBANES. Mr. Chairman, I will be very brief. I really want to hear the responses of the nominee to questions.

I simply want to commend you for moving quickly to hold this hearing at the request of the Secretary of the Treasury. As I understand, in your opening statement you made it clear, however, that a quick hearing does not prejudge the outcome. And, we obviously have to give this nominee very careful attention given the sensitivity and the importance of this position.

I must say I remain distressed by the administration's failure to put into place a team with respect to implementing the savings and loan legislation that was passed last August by the Congress. We held an oversight hearing in this committee at the end of January, and a major issue at that hearing was the question of nominees to the Oversight Board of the RTC, the Federal Housing Finance Board and the Board of Directors of the FDIC.

I don't believe those positions have yet to be filled if I'm not mistaken. And, so we have a real problem here in terms of the administration putting a team into place.

I, for one, want to say that despite the context in which we are presented with nominees, I still think it's imperative that this committee exercise a full review and judgment with respect to people that are submitted to us and not allow the fact that the administration has left positions open and then comes in and fills them and then immediately wants a hearing and an approval to stampede the committee.

I think we have our job to do. And, we need to do it and do it properly.

Thank you very much.

The CHAIRMAN. Thank you, Senator Sarbanes. I might indicate on that note that we have now received two other nominations and the papers have just very recently arrived, for Robert Larson and Philip Jackson, to fill the two public service outside Government vacancies on the RTC Oversight Board.

Senator SARBANES. Well, I'm pleased to hear that, Mr. Chairman. As you will recall, at the other hearing we had the three public members there and two empty seats.

The CHAIRMAN. That's right.

Senator SARBANES. That's just by chance. It wasn't actually arranged that way. And, so I'm pleased to hear that those nominations will finally be submitted.

I look forward to reviewing them closely. And, I am sure the chairman will be scheduling a prompt hearing.

The CHAIRMAN. Well, in that regard, in response to your concern, which I fully and strongly share, we have acted to expedite as well the handling of those nominations. And, I have just now scheduled those, the hearing on both those nominations for next Tuesday at 2 p.m. It's quite unusual to have these hearings in the afternoon, because it's not the normal practice. But, we are making every effort to work with the administration once these nominations are made and the papers are in order and presented to try to move as quickly as we can.

And, I must say the intensity of interest here is also reflected by the fact that we have had almost a complete turnout of members of the committee while other demands are underway, action on the Senate Floor on the Clean Air Bill and other things that otherwise require the time and attention of members of the committee.

Let us now move into the questioning here. And, we will go in 5 minute rounds. And, I want to make it clear that we are going to stay here as long as it takes. And, I know that will be your view as well.

We are getting a start on the questioning at 3:30, but we will not finish until every member who wishes to ask questions is fully satisfied that they have covered the ground that they wish to cover. So, I don't want anybody to feel rushed.

I don't want you to feel rushed. If you need a break at some point, we may be interrupted by votes, but I want you to so indicate and we will be accommodating to you as well.

But, we are going to go through things from A to Z. Let me first ask you how you were approached for this job. Did you seek the job or did someone approach you about the job?

Mr. RYAN. Senator, I did not seek the job. I was approached by a senior official at the Treasury Department. I was asked approximately 3½ to 4 weeks ago if I would visit the Treasury to spend time with Secretary Brady, the Deputy Secretary, Mr. Robson and the Under Secretary, Mr. Glauber.

In fact, I was in Pittsburgh when I received that call. The next day, I came back. I scheduled a meeting with those gentlemen. I visited with them. They told me that they were in the process of selecting their candidate for the Office of Thrift Supervision.

They told me that they had made a decision to essentially bifurcate the search. They looked on one hand for individuals who came from the financial institution industry. They also looked at individuals who had had Government experience in a large organization, managing a large organization, with significant enforcement and regulatory authority.

They told me that I fit in the second category, not in the first.

The CHAIRMAN. Now, you met with them as a group, I take it. How long were you together with them, would you say? An hour or so?

Mr. RYAN. I did not meet with them as a group. I met first with Secretary Brady. I then spent a considerable period of time with the Deputy Secretary, Mr. Robson Again, a considerable period of time with Mr. Glauber. I spent time with the general counsel, Ms. Holiday, and with the head of management, Hollis McLoughlin. It was about a 3 or 4 hour session in an afternoon, Senator Riegle.

The CHAIRMAN. Did you—were there any other reviews beyond that point? Was that it?

Did you talk with people in the White House at a later point or not?

Mr. RYAN. I did. That was the first series of interviews. To be quite frank with the entire panel, I was surprised when I received the call, just as those of you who are on the panel when, you've reviewed at my background.

My background is principally as a pension lawyer on the investment side. I do, however, have considerable experience in the financial institutions market, not with the thrift industry but certainly with investment banks, investment managers and commercial banks.

The CHAIRMAN. Now, how so? I mean, what's the nature of that experience in the financial sector that you have just cited?

What would be the nature of the kind of working experience that you are referring to?

Mr. RYAN. Yes, Senator. My experience as an attorney, really commencing at the Labor Department and lasting for the last 10 years, has been concentrated in the ERISA area and in the title 1 of ERISA fiduciary business with a principal emphasis on providing advice to the investment management, investment banking and commercial banking trust departments and to large pension plans.

For example, I have worked with investment banks on product development for the pension community. As you know, Senator, today's private pension industry, and certainly Senator Metzenbaum knows this well, has about $1½ trillion in assets. They are major investors in the equity and debt markets, in derivative securities, and in real estate. Anything that is available for investment is of prime concern to today's pension market.

I provide advice to players in that market, from the people putting together products, the investment bankers, to people who provide investment advice, the investment managers, the pension plans, some of which are very, very large. We represent pension plans that have in excess of $30 billion.

So, when I met with the individuals at the Treasury, they knew of that background. They also learned during those meetings that I've had, I would say, a considerable amount of experience in the mortgage-backed securities market from an investment banking standpoint.

I've also had, I would say, good experience dealing with risk-based capital guidelines. And, that experience has been derived from representation of the financial guarantee insurance industry.

We talked about that experience. We talked about my management skills. We talked about my enforcement experience. And, then I left.

The CHAIRMAN. And, who in the White House did you speak with?

Mr. RYAN. I talked with the White House Personnel Office principally, with the Deputy there, Mr. Sterrick, and with his assistant who handles the Treasury Department.

I would say most of the activity, however, was handled out of the Treasury Department.

The CHAIRMAN. Let me ask you this. I may come back to that. You did not seek this job. You got this phone call. You were in Pittsburgh, I think you said. It sounds to me like you were drafted. And, obviously you had to pass muster and you went in for the meetings and so forth.

Why do you think you were drafted? Why you?

Mr. RYAN. I had had experience with some of the senior people at the Treasury on multiple issues. The general counsel of the Treasury was in charge of administration in the legal office at the Bush Presidential Campaign. I knew her from that involvement.

And, I had met with Secretary Brady on a number of occasions and some of the staff members there principally with regard to risk base capital guidelines and their impact on the financial guarantee insurance industry.

They did not know me from the thrift industry standpoint because, quite frankly, that would have been impossible. At that time I was not, nor am I today, an absolute expert on the thrift industry.

I can tell you though that in the last 4 weeks I've spent an enormous amount of time trying to educate myself and hopefully today will give you some glimpse that at least I'm a quick learner, I'm dedicated, and I am willing to undertake what I consider to be an extraordinary challenge.

The CHAIRMAN. Let me just ask you one other thing, and my time is up. Do you feel fully qualified?

And, before you answer, let me make the point that, you know, you've been studying it for 4 weeks. This is a new area of endeavor for you. This is a big job. There are billions and billions of dollars at stake here and the taxpayer is at risk in terms of the decisions.

Do you feel fully qualified for this job?

Mr. RYAN. Absolutely. Absolutely, Senator. I really see this job—and I don't think I would say it with the same conviction 3 weeks ago. And, I think the questions that have been raised by all the panel members are the exact same questions I would raise if I were sitting in your seats. Are you qualified? This is a very big, tough job. Can you do it?

What I have learned in the last 3 weeks is that the OTS is a Government agency. It has approximately 3,500 employees. It has some of the best professionals in the Government. It has people who are expert in supervising and regulating thrifts.

I have some experience in managing people. I think I have a reputation for moving things along.

You gentlemen all said in your opening remarks that you were frustrated with the fact that there was nothing happening. Quite frankly, gentlemen, I make things happen.

And, I'm willing to go in and take on this responsibility. I have considerable experience with enforcement.

Many of you expressed a view that you are sick and tired of reading newspapers and watching television and seeing no action. I have a proven track record in the enforcement area, including criminal referrals, of getting action.

And, I can pledge to you that if I'm confirmed, the one thing I'm doing right away, is I'm going over to the Attorney General's office, I'm going to sit down with him, I'm going to work out a system, maybe even a detailed system, for the toughest prosecutors that exist. And, I am going to ask them to come over to the OTS and live with us from a criminal referral standpoint.

The CHAIRMAN. Let me ask you, before I yield to Senator Graham, let me ask you to make one other stop.

We put $75 million a year into the legislation to hire lawyers for the Justice Department to go out and get this job done. The administration has only decided that it needs $50 million of the $75 million. So, you might make a stop to see if you can't persuade the others in the game to provide the resources that the legislation has made available for that purpose.

Senator **Graham**. Excuse me. I beg your pardon. Senator Garn.

Senator **Garn**. You've got your G's mixed up? [Laughter.]

Thank you, Mr. Chairman. I want to continue the line that the chairman has started, because in my opening statement I mentioned that some people were concerned about your so-called lack of experience and my colleagues mentioned that themselves.

But, I would suggest that it's a very difficult process for the administration. I'm still, as I said in my opening statement, very critical that they have moved so slowly. I maintain that criticism. I don't understand why.

But, nevertheless, it's sort of a no win situation for them, because if we have the type of individuals some of my colleagues have described then we would be asking the conflict of interest questions. And, I've gone through that for years all the way back to the Carter administration.

We would have nominees for various positions from the Federal Reserve, the SEC, and all of the regulatory agencies. I remember when John Shad came down and we insisted that for him to be head of the SEC, he had to sell all of his stock. It cost him more than $2 million in capital gains taxes. And, I sat here and said:

> I was in favor of you until you made that decision. But, why, why, would somebody pay $2 million in taxes in order to take a $75,000 a year job? I question your judgment, Mr. Shad.

And, so either way I would expect the questions would be asked and should be examined.

I guess I would take the position of my colleague from Virginia. Having to choose between those two options, I would take the side of somebody where there is obviously no possible conflict of interest, no preconceived ideas, but then ask the questions the chairman has been asking, are you qualified.

I see in the business world somebody coming in and taking over as CEO of a business that he has absolutely no knowledge, no background whatsoever, but he has been perceived as being a competent, capable administrator, leader and manager.

And so I think those are the things that you are going to have to demonstrate to us today, because you clearly and candidly admit you do not have the background or experience in this specific area but somebody who can come in and take charge.

You made a very interesting point that I want to follow up on, and that is that there are 3,500 employees down there. A lot of them have been hired in the last 5 or 6 years when we beefed up the Federal Home Loan Bank Board and allowed them to break the ceilings on pay so that we could hire competent people.

So, I am sure that you would agree that you are not going to be the examiner of every bank, and I would assume your job would give you the management capability to take charge and direct these people who have the detailed and specific knowledge of many, many years through many, many Directors of operating the Federal Home Loan Bank System.

Would that be your view? And, do you feel you have those qualifications to take what has been a beleaguered agency with very great problems, bring them together and move rapidly on this problem?

Mr. **RYAN**. Absolutely, Senator. I think it would be appropriate to share with the committee a conversation that I had with Chairman Seidman.

Senator Riegle, I went back for a series of interviews. The interviews I mentioned to you were only the first ones. I was back for two other series of interviews. The final series of interviews were really, I guess, orchestrated to get me in the position where I would say yes.

I told Secretary Brady that I was inclined to accept his offer and to put myself into this process. However, I really needed to spend a couple of hours with Chairman Seidman. I went over after they placed a call to Chairman Seidman. I knew him tangentially in the Ford administration. So, he at least recognized me.

We visited for about 3 hours. We talked about the issues that all of you gentlemen have mentioned, the frustration, how big the problem is, how important it is for the country that the job get done, his concern that the OTS was an agency that needed direction very, very badly.

It had been beaten around in committee hearings and in the press. Whether that is justified or not, I'm not qualified even to comment. But it's, according to the Chairman, a somewhat demoralized group.

He said that what this organization needs is leadership and direction. We talked about some of the problems.

At the end of our conversation—and I shared my views on some of the issues—I asked Chairman Seidman the same question that you are asking me; that is, would he feel comfortable working with me and what was his view of whether or not I should accept this job. He said, "Absolutely. You are the right person. I would feel very comfortable working with you. And, I am just enthusiastic about my support."

I went back from that meeting and I told Secretary Brady that I was willing to have my name submitted to the President, hopefully that he would accept Secretary Brady's recommendation and that I was looking forward to my confirmation hearing.

I must tell you—and I think it is appropriate here, Senator Garn, to mention—this has moved very, very quickly. Some of you on the committee have mentioned why. There is a constitutional challenge to many actions that were taken by the Office of Thrift Supervision following the passage of this legislation.

I can assure you as to qualifications, at least as to the No. 1 issue, that is sitting on the desk at this agency, and that is making determinations as to what should be done with the approximately 1,000 decisions that were made during that time period is very much in my bailiwick. I feel very, very comfortable——

Senator **GARN**. Mr. Ryan, could I ask you one quick follow up, because we are going to have to leave for a vote and adjourn for a few minutes and it fits with this line of questioning.

You may or may not know that when FIRREA was established and we created OTS under the Treasury Department, I opposed it. And, the reason that I did is because I wanted to keep the agency, whatever form it took, independent like the Fed is, like the Chairman of the FDIC is, because I did not want any potential political influence from Treasury. That was no reflection on Secretary Brady. That was a generic statement.

I feel more strongly after watching for 7 or 8 months this huge diagram of RTC Oversight Board and all the positions that have not been filled. I'm more convinced that I was right. We should have kept a separate agency and you would be responsible and accountable to us rather than the bureaucracy of Treasury.

And, I think that is clearly one of the reasons that we have had such long delay on working capital and all of these decisions. There is too much of a bureaucracy established.

And, I'm not advocating changing that at this point, because we need to push on with it. But, have you got the guts and the courage to stand up there and say, "I want things to move. I realize I am under the Secretary of Treasury and the RTC. Things have got to happen today, now." As I plead with the RTC Board to do something even if it's wrong rather than inaction. Make some decisions, be decisive.

Do you have the courage to stand up? Because you are not going to be an independent agency like Seidman. You are not going to be off by yourself. You are not going to be like Greenspan. You are going to be under this bureaucracy we created in FIRREA.

Do you have that kind of courage to say, "I want something to happen. It has got to move. We are hemorrhaging."

Mr. RYAN. Absolutely, Senator Garn. I think that my reputation is as a doer.

And, there are some people, quite frankly, I have probably offended over the years by my doing this.

Senator GARN. There are a lot of people you need to offend.

Mr. RYAN. Well, they will be added to the list then, Senator, if I'm confirmed to this job, because I get things done. We move after consultation and review, and we should move quickly.

I'm sure that there will be people, not only at the Treasury but there will be people at OMB, there will be people at other Government agencies, and I am sure there will be members of this committee who will not be happy with certain things that I may do if I'm confirmed.

But, I can tell you, things will not sit on the table. And, I will not try to figure out what some diagram looks like going around in here.

I have a pledge from Secretary Brady that he will meet with me frequently. I have a pledge from the Deputy Secretary that he will meet with me frequently. I have the same pledge from Chairman Seidman.

And, I expect that if I am confirmed you are going to see some very immediate action. That's why I think I was selected, not because I spent 15 years in the thrift industry.

The CHAIRMAN. Let me just say, we are in the middle of a roll call vote. Senator Graham of Florida is next.

I am not going to start the questioning, if I may so suggest, because we are going to have to adjourn it. And, I would rather adjourn before you start.

I want to make one follow up point to this before we head over. And, that is, did you discuss—along the line of what Senator Garn has said, did you discuss specifically and directly the independence issue with Secretary Brady?

Mr. RYAN. Absolutely.

The CHAIRMAN. And, did you and he cover the issue of the fact that you see yourself as independent and if you have a difference of opinion from something that he may think that even though he is in the Treasury Department and you get the word or the signal by a raised eyebrow or a spoken word or any other thing that they think a certain policy should go a certain way and you disagree that you are fully prepared to go the other way and you put him on notice to that effect?

Mr. RYAN. The answer is yes, Senator. And, I'm cooperative and consultative by nature. I like to get views. I like to talk to people.

When we get to a point that a decision has to be made and it's absolutely my decision, then it's going to be my decision. I will live with whether it's the right one or the wrong one. There are so many decisions to be made here, Senator, I'm sure that some of the decisions in retrospect may not be the right ones.

But, I will be willing in a judicious and a reasonable fashion to consult and then make decisions.

The CHAIRMAN. The committee will stand in recess for approximately 10 minutes. And, when we resume, Senator Graham will begin his questioning.

[Whereupon, a recess is taken at 3:50 p.m., to reconvene at 4:11 p.m., this same date.]

The CHAIRMAN. Let me invite those that are still in the room who intend to stay to come on in and find a seat, because we are ready to resume, and we want to have the room as orderly as possible so that the questions and answers can be heard by all, and I now yield to Senator Graham from Florida.

Senator GRAHAM. Thank you, Mr. Chairman. Mr. Chairman, I want to pursue the line of questioning that Senator Garn and yourself have been asking relative to the independence of this office and the Treasury, but before I do that I would like to ask one specific question.

Mr. Ryan, you outlined the process by which your name was brought to, and then considered, by yourself and other members of the administration prior to the nomination. We have all had an opportunity to review a file that was assembled on your personal and professional background.

At what point in the process that you outlined earlier of your meetings with the Treasury and White House officials did you supply the personal and professional information which has now been made available to the members of this committee.

Mr. RYAN. Very much in the beginning of that process, after I think the first series of meetings, Senator. Things are merging in my mind as far as time, and I know it has been very quick so I could supply that for the record if you want exact dates.

Senator GRAHAM. Approximately what was the date of the first meeting that you indicated you had with Secretary Brady and two other Treasury officials?

Mr. RYAN. As I said, between 3 and 4 weeks ago.

Senator GRAHAM. Returning to the question of independence, this was a very key issue as has been outlined. I would like to just read from the report of this committee to the Senate on the legislation as originally reported to the full Senate.

The report gives some of the philosophical concerns that were expressed. It talks about the inevitable tension between the budgetary and macroeconomic policies of the Treasury Department, and the responsibilities of the Home Loan Bank Board and its now successor agency which now mandate a facilitation of commercial and economical home finance. Treasury control over the banks housing credit function, or a significant threat of control, could interfere with the mission of making loans to savings associations and, thereby, ultimately with availability of credit to home buyers.

I cite that just to indicate the great concern that was expressed about the issue of independence. Having said that, I would like to ask some questions.

If you were to list the three or four people that you have, or anticipate looking to for advice and counsel as you go through a continuing learning process on the savings and loan industry, who would those people be?

Mr. RYAN. Senator Graham, I would say on the top of the list would be Chairman Seidman. He obviously has shouldered an awful lot of the responsibility, not only as Chairman of the FDIC but also as operating some of the responsibilities of the RTC. We have talked about that. He has pledged not only his support, but his willingness to sit with me on a weekly basis and to discuss some of the issues that are pending.

I do not think that would be appropriate as to specific cases that are pending at the OTS, but more as to policy. I would like to add also I have been very, very impressed with the willingness of Secretary Brady and Deputy Secretary Robson, to meet with me, to discuss anything I would like to discuss at any time I made a request, just as the members of this panel have expressed. Secretary Brady, and I am sure President Bush, although I can't speak for him, understand the severity of the situation and the importance of this job and the importance of positively addressing the issues in the thrift industry.

So I, quite frankly, would expect that all doors would be open to me and certainly I would use that availability whenever the opportunity arises.

Senator GRAHAM. Given your current knowledge of the industry, how would you anticipate going about the process of selecting those staff that will serve directly in your office and in important positions throughout the Office of Thrift Supervision?

Mr. RYAN. Senator, as you would expect, I have given an awful lot of thought to that. There are a number of very senior jobs at OTS that are open now. The chief counsel job is open. The supervision job for operations that is outside of Washington is a job that is open. The chief economist position is open. The congressional affairs press relations job is open. The liaison with RTC and FDIC is open. These are all opportunities to bring in super qualified people.

Senator GRAHAM. My question is: What process will you use to fill all of those and other current or future vacancies in your office?

Mr. RYAN. I have already in mind a number of individuals to serve in that capacity. That is, in the individual jobs. I already have in mind an individual to serve as chief counsel. I already have in mind an individual who would serve as the liaison with RTC.

Senator **Graham**. Excuse me. My time is up, and I am interested in the question which is a process question, not a status question. What would be the process that you would use to fill current or future vacancies in the Office?

Mr. **Ryan**. I would identify the absolutely best people in the United States and ask them if they were willing to serve. If they said that they were not sure, I would use every means available to try to convince them to join me. It is part of an executive search.

As I said, I already have people in my mind for some of those jobs, I think you would be pleased with them if the process goes through and you meet these individuals. They have strengths in the areas where they are needed, whether it is real estate, whether it is merger and acquisition, whether it is law. They are the absolute top people that I think we could find.

Senator **Graham**. Well, Mr. Chairman, my time is up. I have some more questions, but I have to say that I am not very satisfied that two of the three people that Mr. Ryan has indicated would be his principal sources of advice and counsel are the Secretary and Assistant Secretary within the Treasury, when these basic policy conflicts that we identified a year ago are going to arise if two-thirds of your consultation team are persons who are likely to have a philosophical position that may be inconsistent with the basic rationale for there being a thrift industry. That is a source of concern and the second as to a process of decision making on the staff.

I think it is not acceptable just to say that you have some people in mind. I am interested in trying to understand a managerial style and approach to one of the most fundamental challenges which you are going to have, which is to see that appropriate, competent people fill these very sensitive positions.

When my time returns, I want to continue to pursue questions that would try to give me a greater sense of comfort as to what that style would be.

The **Chairman**. Thank you, Senator Graham. Senator Kerry.

Senator **Kerry**. Thank you, Mr. Chairman. Mr. Ryan, in reading through your submitted completion form for Presidential nominees, the question is: State fully your qualifications to serve in the position to which you have been named.

And you say: I believe my experience of almost two decades in managing large organizations, and then in serving clients.

The only large organization which I really see a management role—and correct me if I am wrong—but as I read through it, the only real large organization that strikes me was your Solicitor of Labor position. What else would you describe as a large organization management position relevant to this job?

Mr. **Ryan**. My present position, Senator, is I am part of the management of one of the largest law firms in the United States. We have approximately 400 lawyers, and in excess of 1,000 individuals.

Senator **Kerry**. How many people are on the committee that manages it?

Mr. **Ryan**. In Washington, in our office, there are 4 of us. In Pittsburgh——

Senator **Kerry**. Is there a managing partner?

Mr. **Ryan**. There is.

Senator **Kerry**. Are you the managing partner?

Mr. **Ryan**. I am not.

Senator **Kerry**. Other than those two positions, is there anything with respect to financial institutions and management?

Mr. **Ryan**. No, sir.

Senator **Kerry**. Is there anything with respect to the correlation between real estate values, the market place at large, and a financial institution that you have managed?

Mr. **Ryan**. No, sir.

Senator **Kerry**. What is the largest real estate purchase you have ever made?

Mr. **Ryan**. Probably my house. May I just comment, though. I have worked on significant purchases, first by real estate investment companies. I have also participated in the oversight of workout of troubled real estate.

I have not been the hands on person who handled it, but I have had a legal oversight position in reviewing that activity.

Senator **Kerry**. Well, I think it might be helpful to the committee if you were to submit in writing and detail what that oversight might have been, and what that role might have been.

Mr. **Ryan**. I will be glad to, Senator.

Senator **Kerry**. The original cost projections for the bailout were made in 1988, and those were made by the defunct FSLIC and by your predecessor. Those projections which were accepted by the administration relied on a low to a declining interest rate, as well as a 7 percent increase in deposits.

Instead of an increase in deposits, we have seen a huge run on the thrifts, over $19 billion this year alone. What is it going to take to stem the outflow of deposits? What steps would you take immediately to do that if you were confirmed?

Mr. **Ryan**. Senator, I think the largest part of that process immediately is, obviously after taking care of the constitutional challenge, getting totally into the capital plans that have been submitted.

The capital plans are now being reviewed for approximately 500 institutions, as I understand it. And that determination—that is who falls on one side of the line and is moved to the RTC and who falls to the other side of the line where there can be some type of recapitalization—is a very important decision.

My intention during the first week after I am confirmed, should I be confirmed, would be to ask the district directors from around the country to come in to spend time with me. I would like to conduct a review with them. They have made determinations over the last 4 or 5 months as to where certain thrifts fit—which categories.

I would like to review with them where they think the problems are, why there are problems, and what their recommendation would be as to how they should be handled. I think that is a very important first step.

Senator **Kerry**. I have some follow up on that. I may have to do it in my second round. I may want to come back to it. But you raised an issue that concerns me greatly, and I just want to ask your response to it.

I joined with Senator Graham and others in voting for the confirmation process. I thought Danny Wall ought to be confirmed by the Senate, and I also thought at the time he was not the right person for the job.

The fact of the lack of confirmation could jeopardize the seizures thus far of S&L's. And I wonder what, if you were confirmed, you might feel would be the recourse available to the OTS in order to avoid a problem here. Have you thought that out? Is there anything you could do to affect that outcome or to avoid a negative impact should the court decide adversely?

Mr. RYAN. Senator, since that matter is in litigation right now, and in fact there will be an argument on April 11 in the court of appeals here, I think it would be inappropriate for me to give my own personal view, except to say that I think it is the No. 1 priority for whoever serves as Director. I know it is a priority that must be addressed immediately, because it is going to spawn more and more litigation.

It is going to slow down the aggressive type of behavior you are asking for. There are significant questions raised by that litigation.

Senator KERRY. At this point in time then you haven't thought whether or not there is an administrative action that might be available to you so there would be some retroactive or what is the term of law, nunc pro tunc, or something that you might be able to take that would affect that?

Mr. RYAN. Senator, I have given an awful lot of thought as to what should be done. I really, though, think it would be inappropriate to mention it in a public forum as to what options I think are available.

Privately, I would be willing to give you my personal views, but I don't think it is appropriate in a public forum because this is very important litigation, and I think it is going to have a significant impact on the program.

Senator KERRY. I do want to pursue that, but I see the red light is on, so let me respect that and come back.

The CHAIRMAN. Senator Wirth.

Senator WIRTH. Thank you very much, Mr. Chairman. Mr. Ryan, what is the Association of Financial Guarantee Insurers. Can you give us a quick summary of that?

Mr. RYAN. The Association of Financial Guarantee Insurers is a trade association of the largest insurance companies and banks who provide insurance as a credit enhancement for financial instruments, principally municipal bonds.

Senator WIRTH. And you have represented them, is that correct?

Mr. RYAN. The firm has represented them, yes, sir.

Senator WIRTH. And you have testified on their behalf, correct?

Mr. RYAN. No, sir.

Senator WIRTH. You have not. You commented you worked for them. Have you commented on thrift capital regulations on behalf of them?

Mr. RYAN. Yes, I have, Senator Wirth.

Senator WIRTH. Is it the case that your comments suggested that OTS could, if a company had financial guarantee insurance, that it should not have to meet the same capital requirements as required in the legislation, or as required by national banks?

Mr. RYAN. No, Senator. Our comment to the Office of Thrift Supervision, and also to the other banking regulatory agencies, had to do with parity between credit enhancement offered by Financial Guarantee Insurers compared to letters of credit issued by depository institutions.

It goes to the risk-weighing that should be granted.

Senator WIRTH. Did you say that OTS had the authority to set a lower capital requirement?

Mr. RYAN. The OTS has issued risk-based capital guidelines which have an impact on that issue. That is one of the reasons I have pledged in all of my documents to recuse myself——

Senator WIRTH. Let me see if I understand this. Did you comment that you believed that OTS did have the authority to set lower capital requirements?

Mr. RYAN. We commented on the specific issue of parity between credit enhancement offered by insurers, as compared to credit enhancement offered by depository institutions. And we said that it should be the same.

Senator WIRTH. And you have never suggested that there ought to be a lower capital requirement if investments were backed by Guarantee Insurance, is that right? You have never done that?

The issues I am probing after is what your belief, and how adequate the capital standards are, and are the capital standards adequate the way they are? Should they be stronger or should they be weaker? Are there exceptions that ought to be made by OTS?

It was my understanding that you had commented that OTS did have the authority to set a lower capital standard on behalf of your previous clients, suggesting that you might believe that lower capital standards are appropriate. Do you see what I am getting at?

Mr. RYAN. I see exactly where you are going.

Senator WIRTH. Clear me up. Is that correct or incorrect?

Mr. RYAN. We certainly took a position on behalf of a client and expressed their views, and they would like to see parity between those instruments.

Senator WIRTH. Which would mean lower capital standards if you had insurance, is that right?

Mr. RYAN. It would have an impact of making it the same.

Senator WIRTH. Is that what you are trying to tell us?

Mr. RYAN. So, if that would be lower, then yes, you are correct, Senator.

Senator WIRTH. Now, what is your view of the capital standard issue, having testified that you think that the OTS has the authority to set lower capital standards if a financial institution or investments have guaranteed insurance. Having testified to that on behalf of your client, what is your view?

Mr. RYAN. Just to correct the record, Senator, I never testified on that issue.

Senator WIRTH. The written comment on that. Sorry, my apology.

Mr. RYAN. My view on the capital guidelines is that the Congress made the decision as to what those standards should be, and the President signed the bill, and they are in place.

There are tangible capital standards, there are core capital standards, and there are risk-based capital standards. Once the goodwill is phased out, we will be down, I guess, to really two capital standards.

I think that goes to the very fundamentals of the industry.

Senator WIRTH. Should there be any weakening of thrift capital standards?

Mr. RYAN. I probably do not have a view on that subject right now. My sense is that the system that is set up, although it appears to many to be very tough, appears to be reasonable.

How it's implemented——

Senator WIRTH. So, we don't have an answer if you think the capital standards should be weakened or not? You don't have an opinion on that?

I mean, this is one of the crucial issues Senator D'Amato was talking about earlier, certainly one of the crucial issues that we were all focused on, particularly in the House and in Conference, as you know.

I mean, I think that most of the members of the committee would be pretty appalled if capital standards were weakened. I don't—I can't speak for all of them, but my guess is that that's the case.

Let me ask you a specific question related to this as well. You know that some stand alone thrifts offer their own securities. You are familiar with that?

And, the question has arisen as to who—the question has arisen as to who should regulate the offering of those securities. Who, in your opinion, should, if there is a stand alone thrift, not a holding company but there is a stand alone thrift, who ought to be regulating those securities?

Mr. RYAN. I have no view on that right now, Senator. I have not given that any thought. I have not looked at the pluses, the minuses. I have not looked at the issue.

So, unfortunately, I just do not have a view on that.

Senator WIRTH. Can you give us a quick view as to why it is you want this job?

Mr. RYAN. I'll be glad to. And, a lot of people have asked me that and most of my friends.

I think that it's an extraordinary challenge. I think, quite frankly, that it's a gift that I was asked to do this. And, I think it's an honor to have been asked to deal with a significant problem.

As I said in my answer to Senator Riegle, I did not seek this position. But, I am pleased that the President has asked me to do it.

And, I will pledge to you that I will work very, very hard in cooperation with you and the other members of this committee to do the job. That's really all I can do.

Senator WIRTH. Thank you, Mr. Chairman. I hope that maybe when Senator Kerry comes around again the question that he had asked on how to staunch the tide of depositors leaving the S&L industry, which was a very good question, that you answered that we ought to get inside the capital plans but I'm not sure you really understood each other.

And, I don't think that was responsive to Senator Kerry's question as I understood it. And, maybe when we come back around, we can——

Mr. RYAN. I'm sorry if I was not responsive. I will try to be more responsive.

Senator WIRTH. Thank you, Mr. Chairman.

The CHAIRMAN. Senator Cranston.

Senator CRANSTON. What do you think are the factors that most contributed to the crisis and grave difficulties in the thrift industry?

Mr. RYAN. Certainly interest volatility over the years, the technical changes that resulted in securitization of mortgages, the competition that exists between the thrifts and other financial institutions.

But, my own personal view based on what I have read, is the interest volatility, I think, has had a real, significant, damaging effect on the industry.

Senator CRANSTON. How much do you think deregulation had to do with it all?

Mr. RYAN. I would say that it appears today, based on the changes that were made in Garn/St Germain and others that the results have not been positive.

Senator CRANSTON. A number of the provisions in FIRREA will mandate and increase the pressure for thrifts to become more like banks. Do you think that there is a need for specialized thrift institutions to promote housing finance?

Mr. RYAN. I believe that there will always be a need for someone to offer residential mortgages. And, I'm sure that service will come from some part of the financial services industry.

Whether that industry is called the S&L industry or the thrift industry or it's called something else, I'm sure that service will be provided.

I have been asked the question during these past 3 weeks whether I have any view on should there be a thrift industry. And, I do not have a view on that right now.

The CHAIRMAN. Wait a minute. Did I hear that right, that you don't have a view as to whether or not there should be a thrift industry?

Mr. RYAN. I have no view as to whether the thrift industry should move forward or not move forward, Senator. My view is that the statute that you enacted, Congress enacted, FIRREA, set up a road map, a road map that the governmental agencies are following.

I know that the thrift industry is a part of American society, part of its very fabric. In the out years, will there be a thrift industry as we know it today? All my comment is that I have an open mind on that. I don't know.

The CHAIRMAN. Excuse me, Senator Cranston. I was struck by the answer and just wanted to clarify it to make sure I had heard it right.

Senator CRANSTON. Mr. Chairman, I'm glad you picked up on that. And, I would have had you not.

I offered an amendment to FIRREA to bring the OTS under the equal employment laws of the United States. When you were at the Department of Labor, did you encourage upward mobility and opportunities for minorities and women?

Mr. RYAN. Yes, Senator, I did.

Senator CRANSTON. Will you be doing the same in this new responsibility if you are confirmed?

Mr. RYAN. Yes, Senator.

Senator CRANSTON. There are two management decisions at the Office of Thrift Supervision I would like to express concern about. The Minority Affairs Office was an office that reported directly to the head of the agency as required by law.

By management decision, this office has been reduced to a division and is two levels removed from the agency head and has no contact whatsoever with the top management now. This office had the responsibility for implementing the minority outreach program under FIRREA.

Second, the Office of Consumer Affairs and Civil Rights, which was created by a court order requiring the agency to respond to consumer and civil rights complaints, has dropped the name "Civil Rights" from its title.

It would seem that in an era of increased concern about discrimination in mortgage lending and fair housing whose complaints are handled under this office that the action of the agency in dropping the words "Civil Rights" from the title of the office thereby reducing the high profile of the Minority Affairs Office would appear to be a serious de-emphasizing of the importance of civil rights in this Agency.

The former action will also leave consumers with no direction as to where civil rights complaints should be filed. I hope that you will give attention to these two problems the moment you are there if you are confirmed.

Mr. RYAN. Yes, sir. I definitely will.

Senator CRANSTON. Mr. Chairman, I yield the balance of my time to Senator Metzenbaum.

The CHAIRMAN. Senator Cranston, if I may, just—and as a courtesy—and I will do this to anybody that is in and out of the room, and I know Senator Metzenbaum will agree, we will get right to Senator Metzenbaum, but while Senator Garn was out of the room there was a reference made to Garn/St Germain and a comment made about it that I think Senator Garn needs to hear and has had related to him.

And, I think he ought to have the chance to make any comment about it he wishes. And, then we will go right to Senator Metzenbaum.

Senator Garn.

Senator GARN. Well, when I was young and learned about myth and fairy tales I didn't know they would persist into my advanced middle age. And, one of the biggest myths in this town that is impossible to explain—and I don't know why I am responding now because it hasn't done any good with the press for months, it continues to be repeated because people are not willing to do their homework and examine Garn/St Germain. And, I don't say that because my name is attached to it.

But, if Garn/St Germain was not helpful, I would suggest the first answer, Mr. Ryan, rather than saying that there were not positive changes that occurred, I'm sorry, but would indicate that you have not studied the law and have joined the crowd who continues to repeat something that is not true, because Garn/St Germain still lives.

With all of this examination of FIRREA and all the things that we went into, we made two amendments to Garn/St Germain. It's still the law of the land.

So, I doubt that collectively the Congress felt that it was not positive. Title 1 and title 2 were emergency procedures.

And, I just give you one example. The big myth is that direct investments were a major cause of the problem. That's true. Then, the next step is that people say that Garn/St Germain allowed direct investment. They don't go on to present what the percentage was. It happened to be 3 percent.

Now, there is not one Federal institution that failed as a result of 3 percent of their assets in that basket. Furthermore, that 3 percent was not even created in Garn/St Germain. It was created in 1980 in the Financial Institutions Deregulation and Monetary Control Act of 1980, which I'm sure Bill Proxmire is very happy that it wasn't named the Proxmire Act. They put a generic name on it. And, if I could change it there would have been a generic name on this bill.

But, I just have to challenge what you are repeating. And, I would challenge anybody here to get out the legislative language of Garn/St Germain and read it rather than continuing to repeat a myth and not looking at the facts that deregulation was a major cause of the problem in Texas and California and other States.

And, I and the chairman and others who were here at the time, we have enough problems without taking the responsibility for the Texas and California legislatures. I've never been a member of those bodies and I don't intend to be.

And, I would suggest that people who would like to do their homework and be factual look at Garn/St Germain and read it. And, look at a chart of the original act it created in 1933, savings and loan, and see which act granted what powers over the last 50 some odd years and then examine the State legislatures before quick little comments come out that Garn/St Germain were not positive.

I would suggest to you, Mr. Ryan, and everybody else who continues to repeat that myth that Garn/St Germain was helpful, it kept a lot of institutions solvent that otherwise would have failed, namely what was being talked about earlier by one of our colleagues of the interest rate mismatch and the need to repeal regulation Q and phase it out more rapidly.

But, enough said. I've said this for 6 months. It hasn't done any good and I don't suppose it will do any good today, because it spoils a lot of people's stories who are not willing to actually get the law. And, I would be happy to make copies to anybody who wants, copies of the charts, and they will find out that it is not factually true that Garn/St Germain was a part of the problem if they will only read the provisions of that act and then look what the States did.

Fifty-nine percent of the entire dollar losses occurred in only two States, Texas and California. More than 75 percent of all the losses occurred in State-chartered institutions, and I have challenged many witnesses over a period of 3 or 4 years who would come in and make the charge, before this fiasco ever came up, to find one Federal institution, one, in this country that failed as a result of those provisions. And, no one has been able to come up with that challenge yet.

So, I thank the chairman for—well, I don't know whether I thank the chairman for bringing it to my attention or not. It probably would have been better if I had just not known that somebody brought it up.

But, thanks but no thanks. [Laughter.]

The CHAIRMAN. Senator Metzenbaum, we are pleased to have you join us here. And, we would like you now to proceed.

Senator METZENBAUM. Thank you very much. And, I want to say thanks to Senator Cranston for allowing me his unused time as well.

Mr. Ryan, while you were Solicitor of Labor, the Department was heavily involved in investigating and redressing violations of the law by the Teamsters' Central States Pension and Welfare Funds.

Now, in September 1982, the Federal Court approved a consent decree between the Department and the Central States Pension Fund. You have previously indicated in court affidavits that as Solicitor of Labor you participated personally and substantially in negotiation of that consent decree.

Is that correct?

Mr. RYAN. That's correct, Senator.

Senator METZENBAUM. And, as I understand it, the consent decree called for the court to appoint an independent special counsel to monitor the activities of the Pension Fund.

According to the Department of Labor, section 5 of that original consent decree, which you helped to negotiate, provided for the submission of three individuals to the court for the position of independent counsel.

Is that correct?

Mr. RYAN. That's my recollection, Senator. I do not have the document in front of me. That is certainly my recollection.

Senator METZENBAUM. It concurs with your recollection?

Mr. RYAN. Yes, Senator, it does.

Senator METZENBAUM. And, as I understand it, the Federal Court appointed former Senator William Saxbe, a friend of mine, a man who preceded me in the Senate, to be independent special counsel to the Pension Fund in December 1982.

According to the Department of Labor's 1984 Federal Court filing on this matter, between September 1982 when the consent agreement was first approved and December 1982 when Mr. Saxbe was appointed, you were involved in "advising the Teamsters' Central States Pension Fund of the kinds of firms and individuals the Secretary would find agreeable to serve as independent special counsel. (2) Discussion with the Secretary of a number of individuals, including . . ." and this is my word, Mr. Saxbe, "as possible nominees for appointment as independent special counsel. (3) Discussion with the Secretary leading up to his decision that he would be agreeable to the Fund's recommendation that one individual be appointed rather than the three nominees called for in the consent decree and that the one individual would be the incumbent independent special counsel, Mr. Saxbe."

In other words, there were to be three negotiated but you and the Secretary of Labor cut it down to one.

Is that an accurate description of your involvement in the selection of Mr. Saxbe as the sole nominee for the job of independent special counsel?

Mr. RYAN. Yes, Senator, that did happen.

Senator METZENBAUM. Would it be fair to say that you were instrumental in the selection of Mr. Saxbe for the job?

Mr. RYAN. I certainly was part of a team that made that selection. The actual selection was made by the Secretary of Labor.

I recommended Mr. Saxbe to him, Senator.

Senator METZENBAUM. Now, in May 1983 within a week after your departure as Solicitor of Labor the Department entered into new consent decrees intended to bring about a comprehensive settlement of all outstanding litigation against the Pension Fund and the Teamsters' Central States Health and Welfare Funds, separate funds, Pension Fund and Health and Welfare Fund.

The Department of Labor 1984 court filing indicates that you participated in negotiating the May consent decrees.

Is that correct?

Mr. RYAN. I participated in negotiating the pension consent decree. I also participated in the initial stages of the health and welfare decree. But, I was not the one who finally negotiated it. That was my successor, Mr. Lilly.

Senator METZENBAUM. And, he was your deputy when you were the Solicitor?

Mr. RYAN. That's correct, Senator.

Senator METZENBAUM. Are you questioning my statement that the Department entered into new consent decrees intended to bring about a comprehensive settlement and that the Health and Welfare Fund was now to be included as well as the Pension Fund, and the Department of Labor says that you participated in negotiating the May consent decrees.

And, are you indicating that is correct?

Mr. RYAN. I participated in negotiating and signing the pension agreement, and I participated in the initial stages of the health and welfare agreement.

It was modified though, after I left, Senator.

Senator METZENBAUM. But, you did participate in it?

Mr. RYAN. I did. I did in the beginning, yes.

Senator METZENBAUM. The Department of Labor 1984 court filing also indicates that one provision of the May consent decrees was the requirement that Mr. Saxbe, the independent special counsel for the Pension Fund, be appointed to "serve in the same capacity and with the same powers and duties for the Teamsters' Health and Welfare Fund."

Is it fair to say that you supported and recommended this expansion of Mr. Saxbe's authority?

Mr. RYAN. I was not at the Labor Department when that was done. I did not participate in the selection of Mr. Saxbe for the Health and Welfare Fund. That was a natural occurrence. And, certainly I would have supported it.

Senator **Metzenbaum**. You didn't participate in his becoming counsel for both the Health and Welfare Fund and the Pension Fund?

Mr. **Ryan**. I participated in his selection as the independent special counsel for the Pension Fund. My recollection is that Mr. Lilly and others worked as far as Mr. Saxbe's appointment to the Health and Welfare Fund.

I could be wrong. But, that's my recollection.

Senator **Metzenbaum**. Let me read you what the Department of Labor's filing is:

> Mr. Ryan participated in negotiating a series of agreements signed in early May 1983 that were intended to effect a comprehensive settlement of all outstanding litigation instituted by the Secretary against the Teamsters' Central States Pension Fund, the Teamsters' Central States Health and Welfare Fund and certain of their trustees. One provision of the comprehensive settlement required the appointment of the incumbent independent special counsel to serve in the same capacity and with the same powers and duties for the Teamsters' Health and Welfare Fund.

This is a statement from the Department of Labor. Would you agree with that?

Mr. **Ryan**. That's—you know, my recollection is a little bit different. But, I will be willing to agree with that statement, Senator.

Senator **Metzenbaum**. All right.

The **Chairman**. Senator Metzenbaum, if you will yield at that point and I want you—even though the time light is on, I want you to finish on this topic of that is an orderly way to do it. But, just with respect to the record here—and it's very important that we have it accurately, because you are under oath and this is serious—these are serious questions, and I want to make sure that your answers are accurate in terms of what you want to say.

I think there is a bit of a contradiction there in terms of saying that you are prepared to accept what was just said, although it's really different from your recollection. I can have the clerk read back the comments, but I want you to just reflect for a minute as to what answer you want to put on the record here so that you are clear that you've stated it the way you really intend to say it.

Mr. **Ryan**. Senator, the way I intended to say it is that I actually negotiated the Pension agreement. I handled that totally. I was involved with the selection. I made the recommendation to Secretary Donovan.

My present recollection—and I'm willing to go along with Senator Metzenbaum's comment—is that the selection of Senator Saxbe for the Health and Welfare Fund was made by a successor. But, quite frankly, I don't remember.

I don't see where it makes necessarily a big difference as to the questions that Senator Metzenbaum will be asking.

Senator **Metzenbaum**. Well, it does make a difference, because you had indicated you were not involved in his selection to handle the Health and Welfare Fund and the Labor Department—it wasn't I saying it. I was reading to you from the Labor Department's statement.

One provision of the comprehensive settlement required the appointment of the incumbent independent special counsel to serve in the same capacity and with the same powers and duties for the Teamsters' Health and Welfare Fund. So, that you negotiated—

that was one part of it that is contrary, as the chairman has pointed out, to what your first answer was where you said "I didn't have anything to do with his becoming counsel for the Health and Welfare Fund."

Mr. Ryan. I said, Senator, I believe that I did not sign the health and welfare consent decree. My recollection is that that was signed by my successor and that the ultimate decision was made by the Secretary after I left.

Again, for the record and for everyone here, my recollection could be wrong. I have not looked at that document.

Senator Metzenbaum. I think we are now in twiddle-dee twiddledum. You didn't sign it, but it was signed one week after you left. You left one week before the final consent decree on the Health and Welfare Fund was signed.

So that when the Labor Department says that you negotiated it and you brought it to a conclusion, you then leave and one week later they do the formality of just signing it; isn't that what happened?

I mean, you are sort of suggesting that "I had left and I didn't have anything to do with it."

Mr. Ryan. Oh, no. I'm not. I'm not suggesting that. I thought I said that.

I actively participated in the health and welfare negotiations. I actively participated in the Pension negotiations.

I have no present recollection. That's why I'm saying you could be correct—or I really don't know who is correct—as to who made the selection for Senator Saxbe.

Would I have been supportive of Senator Saxbe being the independent special counsel for the Health and Welfare Plan? Definitely.

Senator Metzenbaum. Well, you keep saying I say some things. I don't say anything, Mr. Ryan. I only read to you what the Labor Department says.

This is important, because at the time of these consent decrees, the Teamsters' Central States Pension Fund had some $4.7 billion in assets and the Health and Welfare Fund had nearly $240 million in assets. And, as reported in The Washington Post in 1984, Mr. Saxbe received that which was a rather large sum at that time—not that large in this day and age—$180,000.00 per year as the independent special counsel. I think that was for the Pension Fund alone. I'm not sure that includes the Health and Welfare Fund.

And, in addition, his then law firm received some $350,000.00 in fees for assisting Mr. Saxbe in monitoring the funds. And, moreover, at the time the Pension Fund had an $8 million budget for outside legal fees.

Now, to the best of your knowledge, are these figures accurate?

Mr. Ryan. I really cannot comment on that, Senator, because I don't know whether those figures are accurate at all.

Senator Metzenbaum. Well, let me say that we have done some checking. And, we represent to you that they are accurate.

Mr. Ryan. I'm sure you are representing correctly, but I have no present recollection of numbers.

Senator **Metzenbaum**. Now, then, some 15 months after you left the Government, on August 1, 1984, your law firm and Mr. Saxbe sought permission from the Federal Court for Mr. Saxbe to join your firm as counsel and for Mr. Saxbe to retain your firm to assist him as independent special counsel.

Now, when did you and Mr. Saxbe first have a discussion concerning his joining your firm?

Mr. **Ryan**. I do not know the date, Senator. If you would allow me to go through some of the facts here I think I can get to the point.

Some time during that year—that is, I guess, 1984—Senator Saxbe called one of my partners, Dean Birch. I believe he also called another partner, Ted Pierson, both of whom were friends of his. Mr. Birch had served in the Nixon administration Cabinet with Senator Saxbe. Senator Saxbe said that he was unhappy with his present situation and that he was interested in joining our law firm.

Mr. Birch and I met with Mr. Saxbe. We discussed his desires as to why he would want to join our law firm. He said that he wanted to work with people that he knew and trusted, that he trusted Mr. Birch, he trusted Mr. Pierson, and that he knew me from the Labor Department and that he thought that my experience in the ERISA area could be very useful to him as independent counsel.

Quite frankly, we were surprised. I was very surprised. The firm was very surprised. We did not contact him. We did not solicit——

Senator **Metzenbaum**. Had you ever talked to him between the time he talked to Mr. Birch and the time you left the Department?

Mr. **Ryan**. I think my recollection is that I met with Senator Saxbe only two times during the period of the selection and this time period. I was not a close associate of Mr. Saxbe.

Senator **Metzenbaum**. After you left the Department of Labor and until such time as he contacted Mr. Birch, did you have any conversations with him?

Mr. **Ryan**. I really don't remember at all any conversations until this came up.

Senator **Metzenbaum**. Did you have any conversations with him prior to that time concerning the possibility of his joining your law firm?

Mr. **Ryan**. Absolutely not.

Senator **Metzenbaum**. In support of your application to the court—you submitted an application to the court with reference to the propriety of this arrangement. You submitted an extensive memorandum from the firm of Covington & Burling. Who retained Covington and Burling and who paid them for a 60-page memorandum? Who paid them for that?

Mr. **Ryan**. I really don't know, Senator, quite frankly. I know that we retained—that is, the firm of Pierson, Ball & Dowd at the time—retained the firm of Covington & Burling. To my knowledge, I don't know if I ever knew who paid for it quite frankly.

Senator **Metzenbaum**. Do you know whether the Fund paid for it?

Mr. **Ryan**. I'm not sure, because it was probably a charge of the independent special counsel. I really don't know.

Senator **Metzenbaum**. The Covington & Burling memo addressed potential conflicts of interest and ethical violations. In one section, it discussed Canon 9 of the Code of Professional Responsibility that a lawyer should avoid "even the appearance of professional impropriety." The memo notes that the canons are not mandatory but do create full axiomatic norms. The memo describes the DC Bar's test for "appearance of impropriety as whether a reasonably informed member of the Bar or of the public would view the employment in question as improper."

The memo also quotes Chief Judge Kauffman from the second circuit who stated that "The standard that Canon 9 sets, in other words, what creates the appearance of evil is largely a question of current ethical legal morals."

Now, your own lawyers in Covington & Burling said they filed the application on behalf of your firm as well as the Fund or Mr. Saxbe, I'm not sure which, and then asked whether one could be offended by the appearance that "Mr. Ryan had created the position of independent special counsel in the consent decree with a view to the possibility that he would later profit from it."

Your own lawyers then answered the question, "While it must be acknowledged that the question is necessarily a subjective one, we think that such an appearance does not reasonably arise here."

I must say that your own lawyer's submission raises some very troubling issues. And, it is fair to say that in the submission to the court there was no opposition brief filed but it was merely an ex parte kind of presentation on the part of Covington & Burling for you, your firm, and the Fund.

The Department of Labor at the court's invitation filed a legal opinion on the matter, and in that opinion the Department expressed its lack of special expertise on the question of whether the legal arrangement between your firm and Mr. Saxbe was appropriate. The Department indicated that even if it was appropriate, the Department had no special expertise on whether the arrangement was consistent with Federal law and regulations as well as standards governing lawyer contact.

As you know, the Court approved the arrangement between Mr. Saxbe and your firm. But, there was no contrary—no opportunity for Bar Association, for any group, to offer a contrary opinion. It was a one-sided presentation by a very well respected law firm, Covington & Burling.

My question is not was it illegal, not whether it was improper, but do you feel that that arrangement lacked any hint of an appearance of impropriety?

Mr. **Ryan**. No, Senator, I do not. That's why we asked an outside very reputable law firm—in fact, the individual who signed that memorandum was the president of the DC Bar, at one time the chairman of the ethics committee. We wanted an independent view as to whether or not we could undertake this new relationship with Senator Saxbe and provide services.

The memorandum also sets forth in excruciating detail screening procedures, screening procedures for me from specific issues.

Senator **Metzenbaum**. Your firm now has Mr. Saxbe as special counsel and your firm, as I understand it, is general counsel for the Health and Welfare Fund and the Pension Fund; is that correct?

Mr. RYAN. No, Senator. No. We are counsel to Senator Saxbe. We are not general counsel to the Funds at all.

Senator METZENBAUM. And, does the Fund have any other counsel?

Mr. RYAN. Many, many others, Senator.

Senator METZENBAUM. But, Mr. Saxbe is the operating head of the Fund? What is his responsibility?

Mr. RYAN. No. Senator Saxbe, under the terms of the consent decree, is called the independent special counsel. He is essentially the overseer or monitor of the Funds' activities.

Quite frankly, the activities of our firm on behalf of Senator Saxbe have diminished very significantly because the fund is in tremendous shape. It's very well run. The trustees are doing a great job. The professional service providers are doing a great job.

Senator, I am very, very proud of what I did with Central States. I am also very proud of my activities supporting Senator Saxbe.

There were certain issues specifically set forth in that memorandum as to which issues I should not be involved with, screened they are called. I was not involved with those issues.

Senator METZENBAUM. I had additional questions concerning the Teamsters but I wonder if in closing this phase, because I have several other areas I would like to get into, Mr. Chairman, whether you would care to share with us what kind of fees the firm was paid in the year 1989 from both Funds?

Mr. RYAN. I do not have a number, Senator. I would be glad to ask the firm if they would be willing to provide that to you.

I have no personal objection to it. I don't know if the firm does.

Senator METZENBAUM. Well, the firm will have an objection. But, don't you know the numbers? Don't you know the numbers approximately?

Mr. RYAN. I would rather not guess. I would rather submit them to you for the record, Senator.

Senator METZENBAUM. Well, are you going to submit them to this committee for the record or are you going to ask the firm if they would be willing to divulge them, because I think it's a different question entirely?

Mr. RYAN. I would be in a position to urge the firm to do it. It's the firm's decision. I would ask them to do it. I have nothing to hide. I just don't have the specific number.

Senator METZENBAUM. You don't have any idea as to the amount at this point?

Mr. RYAN. I'm sure that it's in excess of $150,000 but less than $400,000. I know it's probably in that range.

Senator METZENBAUM. Mr. Chairman, I have no additional questions. I appreciate your tolerance.

The CHAIRMAN. Well, we try to be accommodating when we can. These are important issues.

Let's start through a second round here. When the question came up earlier about the future of the savings and loan industry, you were very frank and candid in saying that you really didn't have a very clear picture of what that future might be or if there will be a future there.

I want to read to you testimony that Secretary Brady gave to this committee in February and March 1989. And, this is from page

41 of that committee print on the hearings upon the introduction of the savings and loan reform package that the administration had drafted and submitted to us.

And, I will start in with the comment that I made to Secretary Brady, and I want to read it to you and then his response and then will ask you about it.

And, I say to him:

> On page 1 you have a very strong statement where you say "Never again should the Nation's saving and loan system which is important to our commitment to available affordable housing be put in jeopardy."

Then, you emphasize and elaborate on that theme over on page 12 under the heading:

> A revised housing finance system.

In the fourth paragraph, you make a very strong argument for what one might think of as maintaining and keeping in the future a rather traditionally oriented savings and loan industry, something centered around housing finance. You have given that a very strong emphasis in your presentation and I just want to draw you out a little further on it. Are we to conclude from what you have said in your presentation that the administration foresees a free standing savings and loan industry extending out into the indefinite future presumably dedicated to the proposition of home mortgages and home lending? Is that a proper reading of what you are asserting here?"

And, Secretary Brady responded as follows:

> Mr. Chairman, this is a very fair summary of the administration's objectives. The reforms, as you pointed out, they need to be taken care. But, at the bottom of all this work is the desire to put the savings and loan on a sound financial basis so they can fulfill their traditional function of trying to provide home loan mortgages at the lowest possible rate.

And, the chairman, myself, then said the following:

> Is it a fair conclusion then that the administration has reached the judgment that this is an important industry it's to preserve and maintain and it meets an important national need in the area of housing?

Secretary Brady, "Exactly so." That was his response. And, we sort of go on in that general vein.

It was very clear when the presentation was made by the administration in putting this package together, because there was this concern as to what they had in mind not just for a series of reforms and adjustments but for a long haul picture as to whether or not they envisioned a strong free- standing savings and loan industry into the future. I took the answers then directly from him to be that that was the administration's intention.

And, I don't know whether anybody else got a different view, but it was stated about as clearly as one can use the English language. I feel I heard a very different answer from you here earlier in terms of your sense for it and what you foresee in the future. And, it sounded to me as if it was at odds with, you know, what we have had previously represented to us as the administration's position.

And, I might say, we tried to draft the legislation in very tight conformity to what they had requested in order to meet that long-term objective. Now, I'm wondering in light of that if, you know, you want to add anything to what you've said before or not, because it seems to me that, you know, I think one could infer from your comment that you might be going in there to basically conduct an orderly liquidation, not just to failed S&L's but of winding down the industry and bundling it up and shipping it off somewhere else or revising the system in some more fundamental way.

And, maybe that's right. Maybe the view of the administration has changed and there is now a different strategic objective here in terms of the future of the industry.

But, I think you've got to be much clearer to us now as you sit as the person about to embark on that job if confirmed as to what the game plan is. What is the strategy?

Where is this industry to go? What is it to be? What is it to look like?

You've got to have some sense for that or I don't see how you can do the job quite frankly.

Mr. RYAN. Thank you, Senator. I do have some sense, and my sense is that, I have an open mind on that issue. My understanding of the statute is that this Congress and the President set out, as I said, a road map, which will determine the answer to that question. It set up a standard to identify insolvent thrifts that would be closed. It set up a system to identify marginal thrifts which would be assisted through some type of consolidation or recapitalization, and it set up a system so that the strong thrifts would be supported.

How that works out in the future, I have no view. I have an open mind. That is what I think I said. And that should not be read to mean that I have some grand design that the industry should disappear, because I certainly do not feel that way.

I think it is obviously a very important industry. It is an industry, as I said, that has been part of the fabric of this country.

The CHAIRMAN. Let me ask you a related question. When Mr. Mullins was here last Friday, seated where you are now on his Federal Reserve Board nomination, he stated the following in answer to a question. He said, and I quote:

> I feel that FIRREA is a good law. I think it is the right approach. I think the administration made a good proposal and Congress improved upon that proposal. The implementation has not gone as quickly as many would have liked and as I would have liked. But I think that really reflects the difficulty of the task rather than the legislation itself, which I think is basically sound and the right approach.

That was Mr. Mullins last Friday.

Is that your view as well? Do you support that view?

Mr. RYAN. I have not seen the statute at work in the OTS. I can tell you that if I come to another view, that is that there should be amendments or should be changes, I would come to this committee, obviously after discussing it with the Secretary of the Treasury. I think that is something that is anticipated by the statute. It is certainly a policy issue, and I am sure that we would be here discussing with you and Mr. Garn changes that may be necessary.

I cannot, today, tell you that I suggest any changes because from what I have seen of the statute, and from what I have been told, it is almost too early to make those determinations.

The CHAIRMAN. Well, I am not quite sure what to make of that. I guess you are saying that you don't really have a professional view on it that would either conform with what Mr. Mullins said or disagree with it.

I take it that you are really not sure, and——

Mr. RYAN. I am sure, Senator, that if confirmed my job would be to enforce the statute. That is the job. If in enforcing that statute we identified problems. I don't think this is a normal situation.

The CHAIRMAN. Do you see any problems now? I mean, you have looked at it for three or four weeks. You know, you obviously—focus your mind on it. Do you see some things now that really give you concern?

Mr. RYAN. I am concerned about the lack of transition for the loans to single borrowers. I am concerned that the agency that has statutory authority to regulate thrifts appears not to have the authority to grant any type of relief. That concerns me, Senator. That is certainly one issue that I know that I would like to look at very closely to see if there is any type of regulatory flexibility for a transition period.

I am not talking about changes in the standard as it exists, but just some kind of phased implementation. It appears that most of the other sections of the statute have this type of phased implementation. I was not part of drafting the bill and I did not work with the administration on its proposal.

The CHAIRMAN. Senator Graham. Beg your pardon. I have done that twice today. Senator Garn.

Senator GARN. Why don't you go ahead, Senator?

Senator GRAHAM. Thank you, Mr. Chairman, and thank you, Senator Garn. I would like to return to the questions I was asking before relative to the issue of independence from the Treasury.

When I concluded my questions, I was asking about the process that you would go about in filling the large number of currently vacant and likely to be vacant over the tenure of your service in this position. I wonder if you would care to elaborate any further as to how you would go about identifying the pool of potential individuals, a process for evaluating those individuals, what clearance procedures you would anticipate utilizing?

Mr. RYAN. Let me take one question at a time if I may, Senator. At least the easiest one for me is the chief counsel's job, which obviously is of great importance. Great importance now not only from the enforcement standpoint, but from a criminal referral standpoint and also as to the constitutional issues that have been raised.

I have, obviously I think, excellent contacts in the community, and, as I said before, I have in mind an individual for that job.

As to the other jobs, chief economist. Chief economist is obviously another very important job. There are many macroeconomists, macrothinking type people who have looked at these issues. They tend to isolate into interest volatility and interest rate impacts. My sense, and this is just an initial view, is that we probably need more of a microeconomic view of this industry, to see its impacts on the financial community, and the impact it has on real estate development.

One of my initial thoughts has been to integrate this chief economist into the working process of the office once we identify that individual. If I may go on——

Another very important job is some understanding of real estate financing. To my knowledge right now, there is some knowledge at OTS on the real estate financing side. To me, it is crucial that we identify people either from the commercial banking or investment banking community who have hands on real estate financing and workout experience.

The process I would follow, quite frankly, is I have, I think, excellent contacts in the investment banking community. I represent a couple of those firms. I would try to identify an individual who would have the necessary skills. Once I have identified a pool of individuals, I would interview them, I would solicit the views of other people qualified in the area and see if we can get down to one individual. Hopefully, if that individual is asked, that individual would say, yes.

I think, however, the job is really so important here that once we identify an individual we really want, I think, to do just everything we can to try to convince that person that it is very much in the country's interest for him or her to join this process.

I could say the same for the congressional relations and public affairs job. It would be that process. I hope that has been more helpful, Senator.

Senator GRAHAM. Well, not much, frankly. One of the most important things that any manager does is to appoint other people, and I believe that there should be, frankly, a clear sense of intellectual order as to how that function is going to be performed, particularly given the almost fire storm circumstances in which you are going to be entering this position.

But let me move to another subject, which was one that was alluded to by our chairman, and that is when you are called upon to make advice to the Congress, one of the reasons that a number of us were very concerned about the provision to avoid reconfirmation of your predecessor was that we felt your predecessor had been less than candid in assessing the real needs of the then the Home Loan Bank Board and had, frankly, misled this committee as to the depth of the problem and, therefore, discouraged the kind of aggressive action that might have mitigated the current state of dismal affairs.

In order to avoid the further politicalization of good judgment and insight, the law contains a statement to the effect that no officer or agency of the United States shall have any authority to require the Chairman to submit legislative recommendations or testimony or comments on legislation to any officer or agency of the United States for approval, comments or review prior to the submission of such recommendations, testimony or comments to the Congress.

I was, therefore, concerned when you were asked how you would go about submitting such recommendations, that you would discuss them with the Secretary of the Treasury. I think the precise purpose of this language was to avoid the sense that the way that you make recommendations to the Congress is by submitting it to the Treasury.

That is what contributed to the problem we are in now, the political control which the Treasury exercised over even the supposedly independent Home Loan Bank Board, how much more potential is going to be for that now that this office is within the Treasury, and if its occupant takes the position that you are going to clear everything with the Secretary of the Treasury before it comes to us.

Could you comment about how you see maintaining independence?

Mr. **Ryan**. I will be glad to, Senator. As I said before, my way of doing business is to consult and cooperate and certainly on any important policy issue or any issue that would involve legislation, my intention would be to consult not only with the Treasury but the other financial service agencies in the Government, which would include the Chairman of the FDIC and probably the head of the OCC. Once a decision has to be made, and if that decision is mine, I will step up and make that decision. I think you can count on that. I would pledge that to you.

Senator **Graham**. Well, in today's Washington Post there is a story on the front page of the business section which has as its highlighted quotation that the only real agreement over his—your—qualifications seems to be his reputation as a, "team player." I don't believe that the statute under which you are operating anticipates that the prime qualification for this job is to be a team player.

What is anticipated is someone who can assert independence, clarity of a view and candor both in the management of very difficult responsibilities and in alerting the people of this country and their representatives in Congress as to where action is required.

Mr. Chairman, one last question returns back to the personnel issue. The Federal Home Loan Bank Board historically had more political patronage positions at the staff level than other Federal bank regulatory agencies.

The 1988 Plum Book indicated that the Bank Board had 21 political appointees, compared to 6 at FDIC, 2 at the OCC and none at the Federal Reserve Board.

Some critics say that the abundance of patronage staff caused instability and a lack of continuity. For example, The Washington Post, on October 9, 1988, reported: The belief is widespread that the Bank Board has more political appointees than just about any place else in Government. That means that every time the agency gets a new Chairman, the turnover in staff cuts deeper into the organization than at most agencies, causing a loss of institutional memory. Given that history and status, what is your intention in terms of your relationship with the administration on the political patronage appointments that are available to you, and how would you intend to see that they do not adversely affect the capacity of the institution to respond?

Mr. **Ryan**. I view this job as totally nonpartisan, apolitical, and my intention is to get the absolute best people. No one has told me anything about clearance on a political basis or in any other way.

They have said that if you are confirmed, go out and find the absolute best people. If you need help finding them, if you identify a person who is tremendous, and they have queasiness about taking this job—and obviously there are a lot of people who have queasiness about this job—we will call him. If the Secretary of Treasury needs to call somebody to try to urge them to join your team, we are there. We are willing to help.

I can, again, pledge to you this will not be a political operation. I would not be part of that. I think this problem is much too big to have this treated in a political fashion. This is a nonpartisan problem.

The CHAIRMAN. Senator Garn.

Senator GARN. Thank you, Mr. Chairman. Mr. Ryan, earlier you made a comment about going to Justice and working in the fraud area, and I would like you to expand on that. I am sure that you are well aware that this committee feels very strongly that to the extent possible that any money that we can recover from those contributing to the S&L crisis ought to be recovered. Beside the sale of assets, recoveries in other areas through fines and other appropriate criminal and civil sanctions should be pursued.

The chairman mentioned the additional money we appropriated or authorized in the bill for Justice to do that, because in addition to the problems in some of the States that deregulation caused, there is no doubt that fraud and simply ripping off these institutions is a part of that problem as well.

I distinctly remember one group of savings and loan executives I was speaking to back in 1986. I was trying to promote the recapitalization with them for paying the bill. They didn't like that, and one of them stood up and said, "We don't think that we should have to pay. It's a taxpayer problem." And, I said, "No, it is not a taxpayer problem."

There were only one or two people that defended me when I said I totally and completely disagreed with that. And, somebody said, who I couldn't identify, "Yeah, he left his yacht to fly up here in his Lear jet." He thought it was a taxpayer problem.

There are plenty of those stories where depositors were simply ripped off for very luxurious living. We found out about one of those. It was very highly publicized in Maryland, Ohio, and other States.

So, I would like you to expand on that which seems to have rather quieted down. Obviously a lot of the criminal things are the responsibility of the Attorney General, not yours. But, you certainly do have jurisdiction over certain enforcement actions and beyond that to be instrumental in working with Justice to recover money and send some of these people to jail where they belong.

So, I would like you to amplify your very brief comment on how you intend to proceed on this area of the problem.

Mr. RYAN. Thank you very much, Senator Garn, for the question. I think the Federal Government, which includes the executive branch and the legislative branch, will have a very difficult time convincing the American public that it's dealing with this problem if they continuously see on their televisions or in their newspapers pictures of individuals like the one you just described.

We need to have a very aggressive program. I called it pursuit. And, my experience at the Labor Department, I think, makes me well qualified to work out just that type of effective program.

When I joined the Labor Department, we had no intergovernmental group dealing with the problem of pension plan abuses. We immediately set up a group which included the Secretary of Labor, the Attorney General and the Secretary of the Treasury.

We then had a working group, which I chaired. It had the head of the Criminal Division, the Associate Attorney General. It had the general counsel of the Treasury, and it had the chief person at the Internal Revenue Service who dealt with pension plans. And, we mapped out strategies.

Now, obviously, we had different lines of jurisdiction. Ours was in the civil area. Theirs was in the criminal area. But, at least, where we could coordinate and consult, we did.

Actions like that need to be taken here. Personally I can tell you, I think, that there should be direct coordination. As I said, I would ask the Attorney General to detail some Criminal Division people to the OTS.

The way the criminal justice system works is, it's very delegated. The U.S. attorney in Salt Lake City runs his operation. The U.S. attorney in Miami runs his operation. The bureau has their own organizations. It needs to be very well coordinated.

And, I would like to see the thrift problem handled in that fashion. I think we would see more immediate results. And, I would like, quite frankly, to see some bold action.

And, again I would pledge to you that if confirmed you will see bold action, at least from OTS and certainly I would urge the same of the Justice Department.

Senator GARN. Well, you are aware that we did authorize, and I keep saying appropriate, but authorize $75 million extra just for this purpose, and I have yet to see much additional action over the normal activity from that.

So I expect that we have an accounting, even though it's the Attorney General's office, of how those funds are specifically being detailed. It's fine for you to say bold action, and I agree. I want bold action to be specific of how those funds are being translated into investigators in the field and how long the cases are taking and why. If they are having problems bringing people to trial we need to know how we can assist. Often we pass legislation and as time goes on we are critical because nothing is happening, yet no one tells us if there is any problems with the legislation. Beyond the issue of recovery I'm still one of those who happens to believe that punishment is a deterrent.

No matter how much we increase capital requirements and no matter how tight we are in enforcement, if people think they can get away with something, they are still going to. I think that one of the failures of the criminal justice system beyond this issue is that there is not sufficient punishment for crimes that are committed. I happen to believe that in white collar crime it is less certain than it is in other types of crime. This certainly falls in that classification, but in this case it is the taxpayers that are being robbed and I'm not satisfied that we have pursued that area adequately.

So I want to be very, very clear that I'm sure this is the opinion of this committee that we would like to see much more vigorous action in this area even if we cannot recover very much, but as a deterrent to other people who will say, hey, I had better not do that. I might end up in jail sometime. I'm not one of those social reformers who do not think that jail punishment is the deterrent to crime. I still happen to think that it is.

Thank you, Mr. Chairman.

The CHAIRMAN. Thank you, Senator Garn.

Senator Metzenbaum, Senator Dixon has returned, and Senator Dixon is prepared to have you go next, Senator Metzenbaum.

Senator METZENBAUM. Thank you.

Mr. Ryan, in 1985 you were appointed as a member of the ERISA advisory council that was established by ERISA to advise the Secretary of Labor on pension matters. You also chaired the Council's Task Force on Pension Plan terminations and reversions. You were the Chair of that committee.

Because you were a partner in Pierson, Ball and Dowd and represented clients with respect to matters before the Department of Labor, Secretary of Labor Brock gave you a limited waiver to serve on the Council with respect to matters of broad policy or general applicability.

However, the waiver specifically did not apply to matters which may have a direct, predictable and unique effect in your financial interests, the interests of associated persons or the interests of clients of your firm or to any of your official actions which directly and predictably affect any legal matters pending before you or your firm. That's a quote.

In addition, the Secretary's waiver specifically advised you that "should you have any question as to whether any action on your part would be within the scope of this waiver, you should promptly contact the Solicitor's office prior to taking such action."

Now you had several clients, as I understand it, while you were on the ERISA Advisory Council, including an organization known as the ESOP Association. During the time the ERISA Advisory Council was reviewing various ESOP issues, the Department of Labor learned, not from you, as I understand it, but from a third party that you represented the ESOP Association.

Am I correct so far in my statement of the facts?

Mr. RYAN. Well, you have two different fact situations here. I have some difficulty with the first one so far and the second one I do not. If you would like to finish, I can go back and address both.

Senator METZENBAUM. Well, why don't you go right ahead. You want me to finish, is that it?

Mr. RYAN. Yes, please, sir.

Senator METZENBAUM. The Department asked for a meeting with you. At that meeting the Department made clear they saw a problem with the appearance of impropriety and the appearance of a conflict of interest; is that correct? Did the Department have such a meeting with you and indicate that they——

Mr. RYAN. We did have such a meeting.

Senator METZENBAUM. And they indicated that there was the appearance of a conflict of interest.

Mr. RYAN. That's correct.

Senator METZENBAUM. And you had not notified the Department as the waiver called for?

Mr. RYAN. I think you're mixing waivers here, Senator. The waiver, to my understanding, went to the termination passports. We are now talking about the second issue, which is the ESOP association. That's a different issue. And as to the ESOP association, my initial involvement with the entire ERISA Advisory Council involved a meeting at the first instance with the designated Ethics

Officer at the Labor Department to solicit his views as to what I should do if I was ever to be in a situation where I had a client interest that may or may not conflict with actions of the ERISA Advisory Council. I was told that I should recuse myself if I had such an interest.

Senator METZENBAUM. Well, actually didn't the Department ask for a meeting with you when they learned, and I think it was in a publication, that——

Mr. RYAN. It was a press release, Senator, that was put out by the ESOP association that said our firm and specifically I had been retained to advise them as to ESOP issues.

If I may, Senator, just state factually, as I said, when I first joined the ERISA Advisory Council, I sought advice as to what I should do. The ERISA Advisory Council set up an ESOP working group. There were three of us appointed to it, and the gentleman who was the head of it was named Otto Stoltz.

We had no meetings of the ESOP subcommittee. To my knowledge, I don't know if they ever had any meetings. About a month and a half later, an individual at an accounting firm recommended to the ESOP association that they retain our firm to help them with ESOP related issues.

I told them that if we were retained that I would withdraw from the ESOP working group. I, in fact, called Mr. Otto Stoltz and told him that I could not participate with the ESOP subcommittee. Again, to my knowledge, that group never met.

Subsequently I was called by the Solicitor of Labor after the press release. He asked me to come in. I came in and he said, "We feel that we have a problem, and the problem is that you are representing the ESOP association and you are also on the ERISA Advisory Council and it is undertaking a review of ESOP's."

I told him of my conversation with the Ethics Committee Director. I told him also of my comment to Mr. Stoltz that I had withdrawn from that subcommittee.

Senator METZENBAUM. Did you do that by letter when you withdrew from the subcommittee?

Mr. RYAN. No, I did not. I called the gentleman and told him. If I have one regret on this one, it's that I wish I had put all this in writing, but obviously you can talk to Mr. Stoltz.

I withdrew from that subcommittee. I told the Solicitor of Labor that I had withdrawn. He said that we have a choice here, the firm had a choice, that is, that we could either continue to represent the ESOP association and stay or get off of the ERISA Advisory Council. I said that that I thought was an unfair predicament to put me in, and he said, well, that's our view and that is what we would like you to do. Make a choice, either represent the association or stay on the Advisory Council. I said that I would resign from the Advisory Council, which I did.

Senator METZENBAUM. So in sum you were representing the ESOP association, you were on the ERISA Advisory Council, you said you called a Mr. Stoltz, who I gather is another member of the Advisory Council.

Mr. RYAN. He was the Chairman of the subcommittee.

Senator **Metzenbaum**. And the Solicitor then called you in and asked you to make a choice, and you resigned from the ESOP; is that correct?

Mr. **Ryan**. That's correct.

Senator **Metzenbaum**. And then you had another matter I think when you were on the ERISA Advisory Council. One of the recommendations before the Council was an amendment to ERISA to permit the transfer of pension assets to retiree health benefit plans. Do you support that recommendation?

Mr. **Ryan**. Did I support that recommendation at the time?

Senator **Metzenbaum**. Did you, yes.

Mr. **Ryan**. I believe it was offered by another member of the Termination Task Force, again, a gentleman from an accounting firm, and at that juncture I did think it was a good idea.

Senator **Metzenbaum**. You did think so?

Mr. **Ryan**. I did.

Senator **Metzenbaum**. And at that time did you have some clients who had an interest in that subject?

Mr. **Ryan**. I don't think so at that time, Senator. I think subsequently in discussions, and again the client relationship was with the Washington Business Group on Health——

Senator **Metzenbaum**. Was with what?

Mr. **Ryan**. The Washington Business Group on Health, which is a trade association that represents large companies with health plans. The only work we had done with the Business Group on Health had been a number of amicus briefs. I was not advising them on any of these subjects, termination or use of excess pension funds for health plans.

Subsequently, I would say, after the report was issued, I know I did mention that issue to them.

Senator **Metzenbaum**. Well, Mr. Ryan, you just sort of casually say we were just representing them on amicus briefs and we weren't doing that much, but the fact is you were on the Advisory Committee, the ERISA Advisory Committee, and the ERISA Advisory Committee was talking about an issue of transferring pension assets to health plans, and we're still talking about it I might say. You had clients who hadn't retained you specifically on that issue, but you were representing them in other matters, and your firm was representing them, and you didn't do anything about it, did you? You didn't see any conflict of interest, did you?

Mr. **Ryan**. Senator, as I said, I did not propose any change with regard to the transfer of assets for the use of——

Senator **Metzenbaum**. You didn't propose it, but you were on it while the matter was being discussed. How many members were on the committee?

Mr. **Ryan**. I, there were 16 or 15, something like that.

Senator **Metzenbaum**. You were there and you participated in the discussion. You said you supported it. You just said to me you supported it.

Mr. **Ryan**. No. It was not a major issue, I have to tell you Senator.

Senator **Metzenbaum**. Whether it was major or minor, it's a major issue to the pensioners whose funds are in those funds and whether or not they take those funds out and go and use them for health benefits, it's a major issue as we sit here this afternoon. You had a client and you had a conflict of interest and you didn't think anything was wrong with it. Now that is a concern, Mr. Ryan.

What bothers me more than what I consider the impropriety of your action is that you don't seem to recognize that there was some impropriety.

Mr. RYAN. Senator, as you know, we've had disagreements on various subjects over the years, and on this subject we disagree and I understand you feel very strongly about this issue, and I'm sorry we don't have agreement on it.

Senator METZENBAUM. Mr. Ryan, it is not my feeling on the issue at this moment. We can have a disagreement on that. I'm not talking about whether you're for or against the transfer of health funds from the pension funds for health benefits. I'm not talking about that. I am talking about the propriety of an individual sitting on the Government Advisory Board dealing with an issue, and at the same time having clients who had a financial interest in that very issue and wanted a particular outcome, and you don't seem to see any impropriety. That's what is bothering me.

Mr. RYAN. Senator, I respectfully disagree with you. That organization had no interest or view as to that issue at that time. I think their interest or view may have come up considerably after it. I was not there doing the work of any individual client. I was doing the work on that task force without any pay. I spent an awful lot of time on it, and I thought we did a very good job. I know you disagree totally with the outcome of that report.

Senator METZENBAUM. I respect the right and the propriety of your disagreeing with me, any member of this committee or anybody in the whole world on an issue.

But what I'm talking about is to be a member of a Government advisory board dealing with an issue that a client of yours has an interest in, and I take issue with you that the Washington Health Group didn't have an interest in transferring those funds at that time because they had it for a lengthy period of time and not recognizing that this was a situation in which you should have stepped aside.

So we have one issue where you step aside and give up the client—I mean keep the client and step off the Board when the Government asked you to do so, and we have another incidence in which you still don't see any impropriety in your remaining on the Advisory Task Force when you had a client that had an interest in the issue before that body. That's what is bothering me.

Mr. Chairman, I have other questions, but my time has expired. Thank you.

The CHAIRMAN. Senator Graham.

Senator CRANSTON. You've just settled into your seat and let me just give you a minute to bring you up to date here. Senator Metzenbaum has been going through a line of questioning. He is ready to proceed, but he has paused for now. Senator Dixon is here as well.

Senator Dixon, did you have anything you wanted to raise with the witness at this point?

Senator DIXON. I have one question.

The CHAIRMAN. I have some items as well to raise.

So, Senator Cranston, if you're ready to proceed.

Senator **Cranston**. I just have one question that I would like to ask at this point.

While you were in the Labor Department, were any age, sex or employment discrimination complaints filed against you by employees of the Department?

Mr. **Ryan**. I really do not know, Senator, not to my recollection. I have no direct recollection.

Senator **Cranston**. Would you be able to look back? Would the records be available?

Mr. **Ryan**. I really don't know. I could ask the Labor Department. I have no recollection of any case or claim being filed against me.

Senator **Cranston**. If you could verify that, I would appreciate it.

Mr. **Ryan**. I'll be glad to do that, Senator.

Senator **Cranston**. That's all I have for the moment.

The **Chairman**. Let me touch on some things here. As a member of the Board of Directors of the RTC, what do you think you would do to speed up the process of asset disposition?

Mr. **Ryan**. My sense now, Senator, is that the first thing I would do is sit down with the board members of the RTC to find out exactly what their concerns have been and what the troubles have been.

I know, just as a result of what I will call my due diligence, which has been discussions with outsiders who have some knowledge of the industry, that there is considerable frustration with the process at the RTC, and there is considerable frustration that as assets move into the RTC they are immediately devalued, and there does not appear to be the number of willing purchasers available to move some of the assets.

But, quite frankly, as I said, the first thing to do on that for me is to sit down with the people who have been doing the job and talk to them and gain some sense of how they feel and what they see as the future.

The **Chairman**. Do you have any thoughts as to strategy? I mean beyond getting the ideas of others, do you have any strategy ideas yourself?

Mr. **Ryan**. My own, I guess my own strategy involves something that I just mentioned. I certainly would like to look very closely at the movement of assets before they get to the RTC, and that obviously would include some actions at the OTC. I know that there would be significant issues as to how we would fund any type of incentives so that people would look at purchase, and I'm certainly aware of the 1988 deals that were done, the forbearance letters, the guaranteed yield agreements and I know of this committee's concern, and I know that the RTC has put out a contract and they are now looking at that, outside consultants, and obviously I would have to look at that before I would formulate any direct view as to what should be done.

The **Chairman**. How would you ensure that the bidding process for fail thrifts is open and fair and free of any political favoritism?

Mr. **Ryan**. My understanding of the system now is that, at least the intention is that it would fit the criteria you just described.

The CHAIRMAN. Well, do you have any ideas in your own mind as to how we make sure that there is no problem that arises here?

I mean, have you thought about the question of the bidding process and how we make sure that it is fair and that there can be no political favoritism?

Do you have any ideas on that?

Mr. RYAN. My idea is that there should not be political favoritism. My idea further, Senator, though, is that the critical issue here is that we need to move some of these assets.

And, I know that the RTC has been trying to establish a framework so that they will fulfill your desire and certainly the Government's desire that everything is done fairly, that it's done reasonably, that it's done totally within the subscriptions of the law, that we eliminate political favoritism or any other type of favoritism.

I think, however, that soon we have to get to a point, because significant dollars are being spent, U.S. taxpayer dollars. We need to get to a point where we start moving some of the assets.

The CHAIRMAN. Somebody the other day suggested the idea of doing this by virtue of a public auction that would go sort of area by area, that you would tee up a certain region's assets or some area where there are a lot of assets that have been repossessed and advertise widely that you are going to have a public auction and then you go and have a public auction in that area and try to move some substantial number or properties into private hands and then after some period of time then move on and do it in some other area rather than trying to, you know, do bits and pieces all over the country simultaneously.

What do you think of that idea?

Mr. RYAN. I think that when we are talking about real estate assets—and I assume that that's what we are talking about here—that obviously different markets operate in different fashions. At least that is my experience with workouts in troubled real estate which, as I said before is limited. But I've had a glimpse—by the way, the Teamsters' Central States Pension Fund had about 70 percent of its assets in real estate. Most of it was very bad real estate. It was casinos in Las Vegas. It was dog tracks. It was Jai Alai and it was hotels, hotels not exactly in good markets.

The Government, at my direction, had to address that issue of how this situation would be corrected. There were, in that instance, regionalized attention. I mean, it was not regionalized as you have described it. It was regionalized in that case as one side of the Mississippi and the other side of the Mississippi. It was not by market.

I would obviously have to look at that very closely and solicit the views of real estate experts as to whether or not that is the best way to do it. It sounds attractive on a surface level to me.

The CHAIRMAN. Let me ask you this. Some suggested that the Office of Thrift Supervision should be merged into the OCC.

What is your view on that?

Mr. RYAN. Right now I think that the Office of Thrift Supervision should get about its job of implementing this statute. I've asked that question directly of the Secretary of the Treasury and the Deputy Secretary of the Treasury. And, they have said, "No, that's not our intention."

Could it be 2 or 3 years from now? That's another issue. But, right now that is not their intention.

The CHAIRMAN. Tuesday's press reports indicate that thrifts lost a record $19 billion in 1989 and $6½ billion of that in the fourth quarter alone. Many of these losses are attributable to realistic asset valuations which, in effect, are write-downs to accurate numbers.

But, some of the losses are clearly ongoing operating losses. And, I'm wondering what is your reaction to this news?

And, if you are confirmed, how soon will you be able to report back to this committee with some realistic projections for this year, 1990, and beyond?

Mr. RYAN. As to actual numbers, Senator Riegle?

The CHAIRMAN. Well, I'm talking about estimates, meaningful estimates that we can have some confidence in.

Mr. RYAN. I can pledge to you that one of the first things that I will do with the staff of the OTS is to try to get a handle on exactly what is happening with the capital plan issues and with the specific thrifts in each district.

If we have reliable numbers, certainly they will be made available to this committee and to the public. I think the public and the committee deserve to know what the numbers are. If we have good numbers, you should have it.

The CHAIRMAN. What is your basic approach to the issue of a savings and loan that is out there now that is insolvent on a market value basis but is continuing to operate and accruing losses?

Would you—are you inclined to think that you would allow those to stay open? Or, how do you think you would view that situation?

Mr. RYAN. We are now talking about a thrift with below 1.5 percent tangible capital, Senator Riegle?

The CHAIRMAN. That would be insolvent on a market value basis so that if you actually value all of the assets properly it's basically under water.

Do you think in a situation like that you ought to move in and take it over? Or, do you think that it ought to be allowed in some cases to continue to operate?

What is your general view?

Mr. RYAN. My general view is that it's going to have to be a case by case determination that I understand is made for 5 or 6 of these a week.

My general view, however, as I said before, is that in order to be successful with this job we need to do 3 things. We need to identify the insolvent thrifts. We need to move them into conservatorship or receivership. We need then to identify—I think quite frankly this is the much more difficult issue—the thrifts that fall in the middle, the people who are marginal, and decide what do we do with them as far as how can we assist them through recapitalization, and can we urge consolidation or mergers.

It's that type of issue that I think will require a lot of dedicated attention.

The CHAIRMAN. Let me now inquire of the members of the committee if any of the other members of the Banking Committee have additional questions they want to pose? And, if so, if they would indicate now.

Do you, Senator Cranston?

Senator **Cranston**. No.

The **Chairman**. Senator Graham?

Senator **Graham**. Mr. Chairman, I don't have a question to pose. I would like to correct a statement that I made in the course of my previous questioning.

I was quoting from an earlier version of the legislation relative to the issue of independence from the Treasury. The language that appeared in the final bill that passed was that the Secretary of the Treasury may not intervene in any matter or proceeding before the Director unless otherwise provided by law.

That statement was substituted in lieu of the statement which I quoted earlier that was in the version of the bill that was reported by the Senate Committee. I wanted to have the record reflect the correct statutory demarcation of responsibility as between the Secretary of the Treasury and the Director.

Thank you.

The **Chairman**. Thank you, Senator Graham.

Senator Cranston, did you have another item that you wanted to raise here?

Senator **Cranston**. Yes, I have two questions. What are your thoughts on deposit insurance reform?

Mr. **Ryan**. I know that the Treasury is right now in the process of collecting comments from various interest groups as to what should happen with the depository insurance system. I would await some judgments and review of those documents, Senator Cranston.

I have no specific view as to should there be modifications. My view only is that we are ultimately looking at taxpayer funds.

And, I think the principal issue involved in this job, that is the Director of the OTS, has to do with preserving taxpayer funds.

Senator **Cranston**. Another Senator brought up a question some time ago regarding the sale of nongovernment insured debentures on the premises of savings and loan institution. You said you weren't sure how that should be monitored or who should be responsible.

There is a proposal now in the Congress that we adopt a law that would ban the sale of such nongovernment insured bonds through government insured thrift institutions because of the possibility of misleading thrift customers as to the character of these bonds?

Would you favor that legislation?

Mr. **Ryan**. I have no view on that legislation right now, Senator. I would have to look at the legislation and draw some judgment.

And, once I did, I would be glad to come back and share that judgment with you.

Senator **Cranston**. The official questionnaire that was submitted to you requires you to itemize all political contributions of $500 or more during the last 8 years and identify the specific amounts, dates and names of the recipients.

And your reply states that you can't recall whether or not your contributions were over $500. I'm somewhat surprised by that.

Don't you have records of your contributions? Didn't you pay contributions by check?

Mr. Ryan. Most of the contributions that took place, Senator—other than to Senator Warner's campaign, which was direct and I don't think it was over $500, though, for Senator Warner's campaign—most of our contributions were made by the partnership, that is by Pierson, Ball & Dowd, and we allocated it to each one of the individual partners.

Senator Cranston. I think the question really was about your personal contributions.

Mr. Ryan. Well, they would be listed as personal contributions. So, for instance, I still get letters from most Democratic Senators who are running for office, because we made contributions and then we allocated them by interest of the partners.

They were very small contributions as per each individual. I don't think any of them came over $500.

Senator Cranston. So, the only contributions you made were via the partnership?

Mr. Ryan. Other than to Senator Warner and other than in kind type contributions, not direct. I've given services to political campaigns over the years.

Senator Cranston. Thank you very much.

The Chairman. Those solicitations that you get back from Democrats who have received contributions from your firm, I assume you also get solicitation letters from Republicans?

Mr. Ryan. Yes. Senator, bipartisan.

The Chairman. I would gather—just looking at the list of clients, I would think that there was a pretty heavy weighting on the side of probably letters from one party than the other. But, I may be wrong about that.

In any event, Senator Garn wanted to make a clarification and then we will yield to Senator Metzenbaum.

Senator Garn.

Senator Garn. Thank you. Senator Graham made a clarification of the independence. And, I would make one further clarification, since those were my provisions.

When I failed to keep OTS as an independent agency, then I was the one that wanted those provisions put in. And, he quotes accurately the final Senate version of the bill. However, it should be noted that in the Conference the House of Representatives insisted that the provision be taken out.

So, the provision that he was talking about was accurate in the Senate version but is not included in the final bill. I regret that the House of Representatives took it out, because I felt it was a good provision to give the Director independence from any possibility of political influence.

Mr. Ryan. Senator, if I may, the situation, as I understand it right now, is that on individual case matters, the independence for OTS is total. As a general practice, OTS consults and cooperates with treasury on policy-related issues, which includes regulations and legislation.

That is how it has been up to this date.

The Chairman. Senator Metzenbaum.

Senator Metzenbaum. Thank you, Mr. Chairman.

Mr. Ryan, in the case of Trustees of Central States against Golden Nugget, my understanding is you wanted to testify in that case and you didn't testify; is that correct?

Mr. RYAN. I was asked to testify by the lawyers who were handling the case for Central States. I solicited the views of the Labor Department as to whether or not it would be appropriate for me to testify. They said no, and I did not testify.

Senator METZENBAUM. That was my understanding, so I have no questions on that. I just wanted to confirm the facts as I understood them to be.

I would like to discuss with you your winding up with the NMU as a client, and it's another one of those cases where I'm not sure that you violated any—I don't think you violated any law but the question of riding the edges as to going from Government and winding up with the client. So, I would like to go through some of the matter with you.

Now, you wound up being the lawyer for the National Maritime Union and that had been the subject of Labor Department inquiry. As a matter of fact, the Labor Department had required a new election to be held and that new election—that order came out about some time prior to March 11, 1983.

And, then the new election was to be held between May 2, 1983 and June 30, 1983. You actually left the Labor Department just 2 or 3 days before the nominations were to commence on this second election, the Department of Labor having suspended the first election.

Is that, up to this point and up to that point, is that correct as you understand it?

Mr. RYAN. You have the facts down much better than I do, Senator. I can't really comment as to whether or not those facts are correct, other than I can comment we did represent the National Maritime Union.

Senator METZENBAUM. Now, while you were still at Labor, the Department was monitoring the National Maritime Union's campaign for election of officers which began in January 1983 in the upcoming election and was, as I previously stated, suspended some time prior to March 11, 1983.

As I understand it, the Department of Labor is investigating the NMU from January 1983 on. Prior to March 11, 1983, they suspended the election. And, as I said, the nominations to come in between May 2, 1983 and June 3, 1983. The nominations come in, you have resigned from the Department. The elections are held in August and September and in October you become the NMU's counsel to handle internal grievances and election affairs.

Is that pretty much as you would recollect the facts?

Mr. RYAN. My recollection of the facts, Senator, is that I received a phone call from the President, I believe, of the NMU or their general counsel, I'm not sure which, asking if we would represent them. I don't remember the exact date. I know it's around the time frames you have described.

I know that I talked with the Labor Department to find out if this matter had been pending while I was in the Labor Department and whether or not it had ever come to my attention.

Subsequently, I believe, I was told that the matter was pending at the Labor Department, that there may have been some contact with the Associate Solicitor for Labor Management Services and that it was wise for me not to deal with the Labor Department on this issue.

I told the client that I would not be able to deal with the Labor Department. I represented the client internally within the union on an internal arbitration. When that was completed, my job with them ceased except as an advisor.

I had no role with the Labor Department. I didn't contact the Labor Department. I didn't deal with the Labor Department.

That is what the law requires, Senator Metzenbaum. And, I followed the law to a tee.

Senator **METZENBAUM**. Well, let's go back a little bit.

Mr. **RYAN**. Thank you.

Senator **METZENBAUM**. There was a memo from the "NMU file" in the Labor Department files, dated March 4, 1983—that was 2 months before you left the Department—from Michael Klise of the Department's Office of Labor-Management Standards Enforcement. That says:

> Klise and his boss met with NMU counsel, Ned Phillips, at his request to discuss an unspecified problem NMU was having with its current election. We pointed out that title 4 violations of the Labor Management Reporting and Disclosure Act might also arise.

And, after the meeting Klise wrote that he and branch chief, Walter Comer:

> Met Solicitors of Labor, Depenbrock, Boetticher, Garson and Dubin, who concurred in the Labor Management Standards and Enforcement position.

Are those four names familiar to you?

Mr. **RYAN**. Mr. Depenbrock is.

Senator Metzenbaum. And, you didn't know Ms. Boetticher, Garson or Dubin?

Mr. Ryan. Not that—that's not—I don't recollect whether I knew——

Senator **METZENBAUM**. B-o-e-t-t-i-c-h-e-r, Garson is G-a-r-s-o-n, and Dubin is D-u-b-i-n?

Mr. **RYAN**. I have not seen that memo but my recollection is that when I called the Labor Department they mentioned to me that there had been a meeting at the lower levels of the Solicitor's Office. They didn't think I had been told anything about it but in an overabundance of caution I should essentially make sure that I did not deal with the Labor Department directly on this matter.

Senator **METZENBAUM**. Now, then the memo—the files also indicate that Phillips called shortly after the Solicitor of Labor meeting and the Department's position was conveyed to him, that "him" being the NMU lawyer, not you.

Mr. Depenbrock was one of the Associate Solicitors for the Labor Management Laws Division?

Mr. **RYAN**. He was the Associate Solicitor.

Senator **METZENBAUM**. He was the only one?

Mr. **RYAN**. Yes, sir.

Senator **METZENBAUM**. And, did he bring to your attention the problems that were occurring in the NMU election?

Mr. RYAN. Not to my recollection, Senator.

Senator METZENBAUM. You don't remember any time that he mentioned anything about that at all?

Mr. RYAN. Not to my recollection, no, Senator.

Senator METZENBAUM. Now, let's go to another memo, this one dated March 8, 1983, before you left Labor. Subject: NMU 1983 Election. This also is by Klise:

> Met with Labor Management Standards Enforcement Director concerning NMU Plan.

It goes on to say that:

> The Director suggested that the Solicitor of Labor's concurrence should be obtained before alerting NMU officials. He immediately arranged for a conference with Associate Solicitor of Labor, Depenbrock.

Mr. Depenbrock didn't tell you about that either?

Mr. RYAN. Not to my recollection. There are 600 lawyers there and most of the divisions operate pretty autonomously.

Senator METZENBAUM. Yes, but Depenbrock was a direct aide to you, was he not, as Associate—wasn't he pretty high up?

Mr. RYAN. Well, he was one of the line supervisors. There were about 25 of them if you counted the Regional Solicitors.

Senator Metzenbaum. I guess the real question is, to what extent were you aware the Department was involved with the NMU election and campaign before you left the Department of Labor?

Mr. Ryan. Not at all, Senator. In fact, when I received the first phone call from—and, again I don't remember whether it was the general counsel or the president of the union—I had no knowledge at all of what was going on in the NMU.

Now, maybe some type of document came across my desk but I certainly didn't remember any information about it. Notwithstanding that fact, we decided to take the cautious approach and we decided that I would not deal with the Labor Department.

The law at that time was that I was restricted from dealing with the Labor Department for a one year period on any matter in which I had—excuse me, on any matter. There was a further ban as to any matter which I had personal and substantial knowledge as to a particular matter.

And, this is ethics esoteria, but we decided to take the cautious view and not to deal with the Labor Department.

Senator METZENBAUM. The question is directed at the fact that not too many months after you left the Labor Department which was investigating the NMU and its election procedures and had gone even higher than Mr. Depenbrock—it went to Mr. Frank Lilly who was your top assistant, correct?

Mr. RYAN. Mr. Lilly was the Deputy Solicitor.

Senator METZENBAUM. So, that was top second only to you?

Mr. RYAN. There were two deputies. He ran the Washington operations and there was another gentleman named Mr. Whiting who ran the field operations.

Senator METZENBAUM. Well, Mr. Lilly, didn't he ever tell you anything about the NMU problems?

Mr. RYAN. Not to my recollection, Senator.

Senator METZENBAUM. Did you know that Mr. Lilly talked to the staff? Well, you wouldn't know this. That was after you left.

Mr. Lilly talked to the staff of the Senate's Permanent Subcommittee on Investigations in 1986. Let me read from the Subcommittee Staff's memo of that discussion:

> Lilly said that his first recollection of the NMU election probably occurred when Ryan was still at DOL when there were pre-election discussions between the Office of Labor Management Standards and the Solicitor's staff and discussions with the NMU about the upcoming elections.

Now, you are saying to me that Depenbroch was involved, that three assistants who were below him were involved, that Lilly was involved but that you didn't know a thing about the investigation of NMU and then several months later just one of those things happened that out of the thousands of lawyers around here the NMU comes to you and asks you to represent them?

Is that your representation?

Mr. RYAN. I have no idea why the NMU called me, Senator. And, as I've said, my recollection is that that matter was not brought to my attention.

I think it's important to note, however, that I proceeded from an ethics standpoint as if it had been brought to my attention, because we extended the bar beyond the one year period and I did not talk with anyone at the Labor Department.

Senator METZENBAUM. You started representing the NMU less than a year after you left the Labor Department, didn't you?

Mr. RYAN. That's correct. And, I did not deal with the Labor Department and that's what the bar requires, Senator.

Senator METZENBAUM. Well, I have a number of other questions along that line but I guess the real question, Mr. Ryan, is that we have these sort of borderline situations. You are on an ESOP Board, you represent the ESOP Association. You have some explanation that it really wasn't a conflict and although you wind up resigning.

You are on the ERISA Advisory Board, a health issue comes up, you represent the National Health Group or whatever it's called and you don't find any conflict in that situation.

You are involved with the Teamsters' Union and the selection of Mr. Saxbe, who I want to stipulate is a very honorable man and an able individual. You seek—there were to be three people and it winds up there is only one person and that person is Mr. Saxbe pursuant to your recommendation and it then comes around—what goes around seems to come around. In this instance, Mr. Saxbe becomes a member of your firm.

And, I can't say to you that in any of those instances that I know that you've done anything illegal nor will I sit here and say to you that I think you've done anything unethical. But, I guess I would have to say that it's a rather thin line.

And, I guess one of the questions that concerns me— and I said before I came to this hearing and when I opened that I wasn't sure whether I was going to be for you or against you. But, I just have the feeling that I'm uncomfortable. I'm uncomfortable.

I would like to have that person sitting in your chair who has been nominated for this position be the best in every sense of the word, from the standpoint of capacity, ability, knowledge, determination, ethical propriety, the whole gambit. Tough question.

Thank you, Mr. Chairman.

The **Chairman**. Thank you, Senator Metzenbaum.

And, let me say that we are at a point here where there are other questions. You have been in the witness chair a long time and I appreciate even with a break for a vote that's—it's a hard seat to be in for this length of time. And, so we are going to bring this hearing to a conclusion in just a moment.

There will be other questions that other members who have not been able to be here will submit to us and we will submit to you for you to respond to for the record.

I would say to you that while you have answered directly here today—and that's appropriate and as it should be—I think there is a concern quite apart from your personal qualities and personal characteristics which Senator Warner has spoken of in very positive terms and others have as well, that there is a question outstanding as to the qualifications that would match up with the extraordinary nature of this work assignment.

I think you have stated your view of your qualifications very forthrightly in both your formal statement and your comments here. I think you have heard from a number of the members that have spoken at some greater length than perhaps I have on that subject that there is an extraordinary degree of concern and interest about this because of the unprecedented scale of the problem, how accentuated it is, and the financial exposures that exist there in terms of the need to do something about it.

And, I think it's fair to say that a number of the colleagues have said to me, have said here publicly and have said to me privately, that that is a major area of concern for them. And, that's again not to speak to you apart from that kind of a match of in-depth qualifications of a financial sort as would appear to match up with the nature of this problem.

So—I mean, you have been here the whole time so you've heard that yourself. But, I think it's important to summarize that at least to this extent now to let you know that there is that very serious reservation on the part of many.

And, so we thank you for coming today. We are going to have, as I say, questions to submit for the record.

And, Senator Metzenbaum, did you want to make a comment?

Senator **Metzenbaum**. Yes.

The **Chairman**. Senator Garn?

Senator **Garn**. No, I have no more comments.

Senator **Metzenbaum**. Just one more comment. I just would like to put in the record the fact that the District of Columbia Court of Appeals in 1984 and a Federal District Court in 1955 stated that a former Government lawyer may not represent a private client in a related matter if his Government position provided access to information substantially related to the private clients work even if the attorney did not handle the Government case himself. The courts presume the lawyer obtained the information if he had access to it.

It's relevant to the previous matter. I don't think I need any questions, but I just wanted the record to include that, what had been determined by the District Court.

The **Chairman**. Mr. Ryan, did—let me invite you to make any final comments you want to make here as well. I didn't mean to preclude that.

Mr. Ryan. First of all, let me thank you for the courtesies you have extended to me, also to you, Senator Garn and Senator Cranston.

Senator Metzenbaum, I very much appreciated your willingness to meet with me today. I thought we had a very frank discussion, and I understand your position. And, I'm sorry we don't agree on everything.

As to this position, which I think is the central focus of the hearing, as I've said, I think the issue of qualification is a very relevant question. And, I think that the concerns raised by your colleagues are legitimate questions. I am who I am. I've tried to candidly discuss my background and to discuss my abilities to handle this job.

Senator, I feel very confident that if this committee voted me out of the committee and that if I was confirmed that I would do an excellent job. Am I the absolute best candidate in the United States for this job? I don't know. I don't know who else was in the pool quite frankly.

And, as I said before, I didn't select myself for this. And, I didn't seek the job. But, I know that I would like to do the job, and I hope very much that you would give me your support and that Senator Cranston would give me his support and Senator Nunn would—excuse me, Senator Garn—would give me his support.

I would try very hard. And, I can pledge to you that this would be done on a totally nonpartisan, cooperative basis.

And, I certainly thank you for the opportunity to be here. In this timeframe, I know how it has been on me, so I know how it has been on you and your staff. And, by the way, your staff has shown me every courtesy. Everyone's staff has been, I think, very, very good to me. And, I want to thank them. And, I appreciate your courtesies here.

The Chairman. Let me just say that I accept your representations about being nonpartisan and conducting yourself in that fashion if confirmed to this job. I believe you when you say that, and others that I respect hold that view of you. There is no question in my mind with respect to your saying that and meaning it.

I think it also needs to be underscored that, as you pointed out before, you were drafted for this position. You didn't seek it. You were requested to take it. You were persuaded to do so. You are here on that basis.

You have endeavored as best you can in the time since that request was made to try to absorb as much information as you can in a field that is not one with which you are intimately familiar, as you yourself have stated. And, I think within that set of facts, I think you have responded as directly to us today as you can.

And, I appreciate the directness and we appreciate the time that you've given us today. And, as I say, we will have some questions for you to respond to for the record.

Mr. Ryan. Thank you very much.

The Chairman. With that, the committee stands in recess.

[Whereupon, the hearing is recessed at 6:25 p.m., this same date.]

[Biographical sketch, response to written questions and additional material supplied for the record follow:]

BIOGRAPHICAL SKETCH

TIMOTHY RYAN

Timothy Ryan, a resident of McLean, Virginia, is a partner in the Washington, D.C. law firm of Reed Smith Shaw & McClay. Prior to his return to Pierson, Ball & Dowd -- which merged with Reed Smith -- in May of 1983, Mr. Ryan was Solicitor of Labor, U.S. Department of Labor. He was appointed to that position by President Reagan and on March 12, 1981 his appointment was confirmed by the Senate. During his tenure at DOL, Mr. Ryan directed an intergovenmental Task Force assigned the task of establishing independent control over the largest Taft-Hartley funds in the country, the Teamsters' Central States Pension and Health & Welfare Funds.

Mr. Ryan is a graduate of Villanova University (A.B., 1967) and American University Law School (J.D., 1973). He is married to Judith Rush Ryan and has a daughter, Kathryn (8 years of age) and a son, Michael (5 years of age).

Mr. Ryan started his legal career as an attorney-advisor to Board Member Ralph Kennedy of the National Labor Relations Board. Thereafter, he was associated with the Baltimore, Maryland law firm of Venable, Baetjer & Howard. In 1976 he served as Deputy General Counsel of the President Ford Committee, and in 1980 he was Legal Counsel for the Reagan/Bush Transition. Mr. Ryan served as Special Counsel to the George Bush for President Committee in 1988. Mr. Ryan has served as a member of the Council of the Administrative Conference of the United States, the ERISA Advisory Council, the Overseas Private Investment Corporation and the Program for the Advancement of Commercial Technology in India. He was also a former President and Board Member of The American Council of Young Political Leaders.

Mr. Ryan is admitted to practice law before the United States Supreme Court, the District of Columbia Court of Appeals, the United States District Court for the District of Columbia, the United States Court of Appeals for the District of Columbia and the Seventh Circuit Court of Appeals. He is a member of the American Bar Association and the Federal Bar Association, as well as the Bar Association of the District of Columbia. Mr. Ryan has been named to Who's Who in America and to Who's Who in American Law and listed in The Best Lawyers in America.

STATEMENT FOR COMPLETION BY PRESIDENTIAL NOMINEES

Name: Ryan, Jr (LAST) Thomas (FIRST) Timothy (OTHER)

Position to which nominated: Director, Office of Thrift Supervision Date of nomination: 3/22/90

Date of birth: 13 (DAY) 6 (MONTH) 45 (YEAR) Place of birth: Washington, DC

Marital status: Married Full name of spouse: Judith Rush Ryan

Name and ages of children:
Kathryn - 8
Michael - 5

Education:

Institution	Dates attended	Degrees received	Dates of degrees
St. Anthony's High School	1959-1963	Diploma	1963
Villanova University	1963-1967	A.B.	1967
American University Law School	1970-1973	J.D.	1973

Honors and awards: List below all scholarships, fellowships, honorary degrees, military medals, honorary society memberships, and any other special recognitions for outstanding service or achievement.

Urban Mass Transportation Fellowship

Army Commendation Medal

Department of Labor - Special Recognition Award

Memberships: List below all memberships and offices held in professional, fraternal, business, scholarly, civic, charitable and other organizations.

Organization	Office held (if any)	Dates
Program for the Advancement of Commercial Technology	Member	6/87 - present
Georgetown University Law Center	Adjunct Professor	9/79 - 9/83
American Bar Association Administrative Law Section	Election Law Section Vice Chairman	6/80 - 6/81
Dean's Advisory Council American Univ. Law School	Chairman/Member	1/85 - present
D.C. Bar Association	Member	8/74 - present
American Council of Young Political Leaders	President/ Board Member	1/81 - 2/90
Presidential Transition Found.	Secretary;Director	11/80 - present
Federal Bar Association	Member	8/74 - 2/90

Employment record: List below all positions held since college, including the title or description of job, name of employment, location of work, and dates of inclusive employment.

5/83 - Present; Partner, Reed Smith Shaw & McClay, including Pierson Ball & Dowd, Washington, DC

3/81 - 4/83; Solicitor of Labor, U.S. Department of Labor, Wash., DC

11/80 - 3/81; Legal Counsel, 1980 Presidential Transition Office Washington, DC

9/78 - 11/80; Associate, Pierson, Ball & Dowd, Washington, DC

12/76 - 9/78; Associate, Loomis, Owen, Fellman & Coleman, Washington, DC

10/75 - 12/76; Deputy General Counsel, President Ford Committee, Wash., DC

11/74 - 10/75; Associate, Venable, Baetjer & Howard, Baltimore, MD

8/73 - 11/74; Attorney-Legal Assistant, National Labor Relations Board Washington, DC

9/72 - 6/73; Fellow, Urban Transportation Institute, Washington, DC

6/71 - 6/72; Law Clerk, Department of Transportation, Washington, DC

3/70 - 6/71; Law Clerk/Messenger, Hogan & Hartson, Washington, DC

8/67 - 3/71; Ammunition Officer, U.S. Army, Ft. Belvoir, VA and Taegu, Korea

Government experience:

List any experience in or direct association with Federal, State, or local governments, including any advisory, consultative, honorary or other part-time service or positions.

U.S. Army - 1967-1970

Legal Assistant, National Labor [illegible]ations Board - 1973-74

Secretary, Board of Visitors, George Mason University - 1979-82

Solicitor of Labor, Department of Labor - 1981-83

Member, Oversees Private Investment Corporation - 1981-83

Member/Council, Administrative Conference - 1981-85

Member, ERISA Advisory Council - 1985-86

Published writings:

List the titles, publishers and dates of books, articles, reports or other published materials you have written.

Conveyancing of Urban Transportation Properties, 1973 (NTIS)

Co-Author, "Obligations of Government Contractors with Respect to Disabled Veterans, Veterans of the Vietnam Era and Handicapped Individuals, Equal Employment Practice Guide, FBA, 1978 and 1979

Co-Authored, "Hepatitis B; An Occupational Hazard For Health Care Personnel, Health Matrix, Vol. II, No. 4, p. 3, 1985

"The Solicitor's View of the Labor Department," Labor Law Developments 1982, 28th Annual Institute, Southwestern Legal Foundation, Dallas, TX

Political affiliations and activities:

List all memberships and offices held in and services rendered to all political parties or election committees during the last 10 years.

Committee to Re-elect the President - Advance Man - 1972

President Ford Committee - Deputy General Counsel - 1976

Warner for Senate Committee - Counsel - 1978, 1984, 1990

Baker for President - Special Counsel - 1980

George Bush for President - Special Counsel - 1988

Political contributions: Itemize all political contributions of $500 or more to any individual, campaign organization, political party, political action committee or similar entity during the last eight years and identify the specific amounts, dates, and names of the recipients.

I don't remember whether they are over $500 or not, but I have contributed to the Republican Party and candidates. Most frequently, the Republican National Committee, the Republican Party of Virginia, and John Warner for Senate. I have also made in kind contributions of time to all political committees for which I have worked over the years.

Qualifications: State fully your qualifications to serve in the position to which you have been named. (attach sheet)

(see attachment)

Future employment relationships:

1. Indicate whether you will sever all connections with your present employer, business firm, association or organization if you are confirmed by the Senate.

Upon confirmation, and prior to taking office, I will withdraw from Reed Smith, Shaw & McClay, the law firm in which I am currently a partner. My withdrawal will be in accordance with the firm's partnership agreement and, other than the continued maintenance of my retirement account as part (see over)

2. As far as can be foreseen, state whether you have any plans after completing government service to resume employment, affiliation or practice with your previous employer, business firm, association or organization.

No specific plans.

3. Has anybody made you a commitment to a job after you leave government?

No.

4. Do you expect to serve the full term for which you have been appointed?

Yes.

Future employment relationships (continued):

of the firm's retirement plan and my right to receive an amount equal to the sum of my capital account and my partnership share calculated as of the date of withdrawal, I will completely sever my relationship with the firm. I do, however, intend to remain a limited partner in M&M Partnership, in which, along with approximately 150 member of the firm, I have an interest in an office building in Pittsburgh, PA

ttr0655/ots/questionna
Fri Mar 23 12:01:24 1990

Senate Banking Committee Questionnaire:

Q: State fully your qualifications to serve in the position to which you have been named.

A: I believe that my experience of almost two decades in managing large organizations and serving clients as a practicing attorney well qualifies me for the position of Director of the Office of Thrift Supervision.

I have been a practicing attorney for nearly seventeen years, with considerable legal experience both in the private and public sectors. My most recent Federal appointment took place in 1981, when President Reagan, with the advice and consent of the Senate, appointed me to the position of Solicitor of Labor. In that position, which I held until 1983, I was responsible for all the legal activities of the Labor Department, its legislative program, and served as legal advisor to the Secretary of Labor. As Solicitor, I had ultimate responsibility for the management and direction of approximately 600 attorneys in one of the largest Cabinet departments, including broad-scale delegated litigation efforts in Washington and 16 field offices pertaining to the vast array of statutes administered by the Labor Department.

I have also had several appointments to various advisory boards and councils, including my service as President and a Member of the Board of the American Council of Young Political Leaders; Chairman and Member of the American University Law School Dean's Advisory Council; a member of the Oversees Private Investment Corporation; the Program for the Advancement of Commercial Technology in India; and as a member of the Administrative Conference of the United States and its Board of Directors (Council).

In addition, I have had extensive involvement with the transition efforts of several Administrations and election campaigns. In 1976, I served as Deputy General Counsel of the President Ford Committee, and in 1988, I was Special Counsel to the George Bush for President committee. In 1980, I served as Legal Counsel for the Reagan/Bush transition team.

As to my private sector experience, I have been associated as a partner with Reed Smith Shaw & McClay (including Pierson, Ball & Dowd which merged with the firm) since 1983. At present, I am a member of the firm's Executive Committee. The clients of this national law firm include many of the major corporations and financial institutions in America. My activities at the firm have included representation of clients in the ERISA fiduciary and litigation areas as well as general Washington representation for various clients in multiple business sectors.

Potential conflicts of interest:

1. Describe any financial arrangements or deferred compensation agreements or other continuing dealings with business associates, clients or customers who will be affected by policies which you will influence in the position to which you have been nominated.

Pursuant to partnership agreement, I will receive capital account and partnership share calculated on service performed through date of departure from the firm.

2. List any investments, obligations, liabilities, or other relationships which might involve potential conflicts of interest with the position to which you have been nominated.

(none)

3. Describe any business relationship, dealing or financial transaction (other than taxpaying) which you have had during the last 10 years with the Federal Government, whether for yourself, on behalf of a client, or acting as an agent, that might in any way constitute or result in a possible conflict of interest with the position to which you have been nominated.

Representation of the Association of Financial Guaranty Insurors on risk-based capital guidelines issued by federal regulators. Accordingly, I will recuse myself from any involvement in any Issues involving credit enhancement through the use of insurance.

4. List any lobbying activity during the past 10 years in which you have engaged for the purpose of directly or indirectly influencing the passage, defeat or modification of any legislation at the national level of government or affecting the administration and execution of national law or public policy.

° INTELSAT - on general matters affecting international communications.

° Contel ASC - on Commercial Space Launch Act

° On labor legislation introduced by the Reagan Administration while I was Solicitor of Labor.

° Periodic contact on behalf of the firm client Securities Industry Association on various issues. None recently.

5. Explain how you will resolve any potential conflict of interest that may be disclosed by your responses to the above items.

While I do not believe that any of my financial interests would conflict with my duties, should such a potential conflict arise, I will promptly advise the Department's ethics officials and take whatever action is deemed appropriate.

Civil, criminal and investigatory actions:

1. Give the full details of any civil or criminal proceeding in which you were a defendant or any inquiry or investigation by a Federal, State, or local agency in which you were the subject of the inquiry or investigation.

None.

2. Give the full details of any proceeding, inquiry or investigation by any professional association including any bar association in which you were the subject of the proceeding, inquiry or investigation.

None.

April 4, 1990

Lory Breneman
Chief Clerk
United States Senate
Committee on Banking,
  Housing, and Urban Affairs
Washington, D.C. 20510

Dear Ms. Breneman:

Enclosed are my answers to the questions submitted to me by Senator Sasser.

Sincerely,

T. Timothy Ryan, Jr.

Enclosures

ANSWERS TO QUESTIONS FROM SENATOR SASSER

Q.1. On March 26, 1990, the Office of Thrift Supervision announced a record loss for the Savings and Loan Industry in 1989. According to OTS, the thrift industry lost $19.2 billion last year.

a.) To what extent do these losses reflect the write-off of goodwill, and real estate and junk bond write-offs, required by FIRREA? If Congress had not enacted the Savings and Loan rescue package last year, what would have been the losses of the thrift industry in 1989?

Answer. I do not have access to the detailed OTS data that would be necessary for an accurate answer to the first question. The same is true of the second question, although I find it difficult to believe that anyone could accurately predict what the losses would have been in 1989 if FIRREA had not been enacted.

b.) Since a good part of the losses in 1989 are one-time only writedowns, what would you expect for 1990 losses?

Answer. Again, since I do not have access to OTS examination reports and other relevant data, I have no way to make an accurate projection of 1990 losses.

- 2 - - 3 -

Q.2. I noticed in your nomination papers that you have represented the Securities Industry Association on various issues before Congress.

a.) Could you please explain what these issues were and what your involvement was?

Answer. Most of my representation of the Securities Industry Association (SIA) concerned a variety of pension investment issues involving the executive branch. This included requests for prohibited transaction exemptions from the Department of Labor for certain bonding transactions, asset-backed securities transactions, and other transactions involving securities or securities-related products. In addition, I was briefly involved in representing the SIA on legislative issues involving the Glass-Steagall Act.

b.) Did your representation involve the issue of brokered deposits?

Answer. No, it did not.

Q.3. Would you please describe your activities as an "advance man" for the Committee to Reelect the President in 1972?

Answer. I worked in that position on weekends while I was attending law school. My duties involved attending various campaign events in advance of Edward Cox and Buddy Ebsen, who were directly involved in the campaign. I basically made sure that scheduling arrangements were made, transportation was on-time, etc.

Q.4. The escalating projections of the cost of the Savings and Loan bailout are of great concern. The critical question in determining this cost over the next few years is the number of institutions that will be turned over to the RTC for resolution. Indeed, Chairman Seidman has estimated that an additional 250 more institutions will become part of the RTC's caseload for resolution. Chairman Seidman thinks that this will result in a need for an additional $25 to $35 billion by 1991. The Congressional Budget Office roughly concurs in this assessment.

However, it is the Office of Thrift Supervision that actually determines which institutions are turned over to the RTC. I understand that OTS has a list of institutions that are likely to fail and be turned over to the RTC.

a.) How many institutions are on this list?

Answer: Since I have only been nominated for this position, I do not have access to any such list prepared by OTS. My only knowledge are the numbers that were reported to Congress in testimony earlier this year.

b.) How soon, and in what order, will these institutions be turned over to the RTC?

Answer: Again, I do not have access to this information.

c.) What are the standards that determine which institutions get on the list?

Answer: Again, I do not have access to this information.

Q.5. What do you consider to be the origins of the Savings and Loan debacle? In particular, what role did monetary policy in the later 1970s, especially the extraordinarily high interest rates -- a 21 percent prime -- play in the downfall of the thrifts? I ask this because I think it's obvious that there never was an industry that was more sensitive to interest rate hikes than the Savings and Loan industry.

Answer. I do not have enough detailed knowledge at this time to make an accurate assessment of the cause of the thrift crisis.

a.) Do you agree that a knowledgeable financial economist could have predicted that this debacle would have occurred if you put rates up to 21 percent?

Answer. It would be pure speculation for me to conclude that a financial economist could have predicted the magnitude of the crisis based on the rise in interest rates alone.

b.) What was the posture of the Federal Home Loan Bank Board at the time on this issue? What would be your position if monetary policy should put interest rates through the roof in the future?

Answer. I am not familiar with the Bank Board's past positions on this issue. I can tell you that should we see rates skyrocket in the near future, the savings and loan industry, as well as many other industries, would be severely hampered.

April 4, 1990

Lory Breneman
Chief Clerk
United States Senate
Committee on Banking,
  Housing, and Urban Affairs
Washington, D.C. 20510

Dear Ms. Breneman:

Enclosed are my answers to the questions submitted to me by Senator Garn.

Sincerely,

T. Timothy Ryan, Jr.

Enclosures

ANSWERS TO QUESTIONS FROM SENATOR GARN

Q.1. During the hearing you indicated some concerns relating to the future of the thrift industry "as we know it today." Please elaborate on this comment.

Answer. I believe the job of Office of Thrift Supervision is to enforce the Financial Institutions Reform, Recovery, and Enforcement Act of 1989 (FIRREA) and ensure the safe and sound operation of the thrift industry. Only the market can determine whether the thrift industry will look the same over time under this new set of rules.

The thrift industry has historically served a fundamental role in providing residential mortgages to consumers. However, because of the huge losses suffered by the industry and the taxpayer, last year's thrift legislation changed the basic rules under which thrifts operate -- more capital is required; more restrictions have been imposed on risky thrift investments; thrifts initially must pay higher premiums on deposits than banks must pay; and thrifts must maintain a higher percentage of their assets in mortgage-related investments under the Qualified Thrift Lender Test.

These changes and others were designed to protect against another thrift crisis, and I believe that most of them are absolutely crucial to ensuring safe and sound thrift operations -- especially the new capital requirements.

But I believe that no one can predict at this time exactly how the industry will adjust to the new requirements. Obviously, the industry is in a difficult transition period, with intense competition coming from several quarters in the industry's fundamental business of mortgage lending. Will the industry stabilize and prosper with its core business? Will more banks acquire thrifts and will more thrifts seek to convert to banks? Will thrifts need to adjust the way they do business in order to compete?

I believe that we simply cannot know the answers to these questions until we know more about how the market reacts to the new law and whether it will drive new mechanisms to make housing available.

But I do know this: the job of the Office of Thrift Supervision is not to promote the industry or ensure its survival at any cost. FIRREA made this point absolutely clear. At the same time, neither is its mission to put the industry out of business. Instead, as mentioned above, its primary concern is the safety and soundness of the industry.

Q.2. The FIRREA legislation requires OTS to apply stringent capital standards to savings associations. In general, these standards may be no less stringent than the standards applied by the Comptroller to national banks. What is your view with respect to the importance of capital in regulating savings associations? Will you implement the standards found in the FIRREA Act?

Answer. I believe that capital is critically important in regulating savings associations. A large part of the problem that led to the thrift crisis was the fact that thrift owners did not have their own money at risk. This created perverse incentives to engage in extremely risky activities in order to gamble their way back to solvency. If they succeeded, they stayed in business and got rich; if they failed, the deposit insurer and the taxpayer were stuck with the losses.

Raising thrift capital standards to levels no less stringent than national bank capital standards was probably the most important regulatory reform in FIRREA. Only if thrift owners have their own real capital at risk will they regulate their own behavior to take the prudent risks necessary to be profitable without exposing the deposit insurance fund to excessive losses.

If confirmed, I would of course implement both the letter and the spirit of FIRREA's capital standards. As I indicated at the hearing, these standards appear to be tough, but reasonable and necessary.

Q.3. Presently, securities issued by free standing savings and loans are regulated by the OTS, just as securities issued by banks are regulated by the appropriate Federal banking agency. Some have argued that these securities should instead be regulated by the SEC. In your testimony you stated that you have not yet reached a decision on this issue. What factors will you consider in formulating your position on this question?

Answer. I have not taken a final position on this issue because it is exactly the kind of complex question that requires careful study. As you know, there are substantial differences of opinion on this issue.

The SEC has typically argued that principles of "functional regulation" demand SEC regulation. Bank and thrift regulators have traditionally argued that depository institutions are different from other publicly traded companies because of the publicity-sensitive nature of their business and the level of federal supervision to which they are already subject -- in these circumstances, they argue, it only makes sense to have one regulator for all fundamental issues who is completely familiar with the institution's activities.

I am not entirely persuaded by either argument, and if confirmed, I intend to take a careful look at these and other relevant issues in reaching a conclusion.

Q.4. Legislation was recently introduced to prohibit the sale of uninsured securities in the lobby of a bank or thrift. Many in the financial services industry feel that this measure is too broad and may interfere with the ability of financial institutions to engage in commonly accepted transactions, such as the sale of mutual funds in lobby space. They argue that disclosure requirements and other safeguards are more appropriate than an outright ban. Others are concerned about the potential for misleading customers who are likely to mistake these products for insured deposits. During the testimony, you indicated that you had not yet reached a decision on this issue. What factors will you consider in formulating your position on this question?

Answer. I believe that there have been obvious abuses in the sale of financial instruments that resemble insured deposits, which clearly need to be addressed. I understand that different versions of legislation have been introduced in the Senate and the House of Representatives, with the OTS also in the process of issuing regulations.

As I indicated in the hearing, I do not yet have a view on which of the different approaches is the correct one. I generally believe that disclosure is the first option that should be carefully examined in circumstances like these. However, more restrictive measures appear to be necessary where debt securities can be easily confused with insured deposits. But I remain concerned about overly broad measures that might needlessly impede the ability of thrifts to raise much-needed capital. These are the kinds of factors that ought to be weighed in any final determination.

Q.5. During the hearing, an issue arose concerning financial guarantees that are backing bonds issued by local governmental units. Please explain how these guarantees affect capital, and whether or not the position you advocated as an attorney would result in lowering capital standards.

Answer. The position I advocated as an attorney would not have lowered capital standards for thrifts. As I explained at the hearing, we asked for parity of treatment between two kinds of capital instruments with equal degrees of risk. I believe that is the correct public policy result, and I do not think it represents a lowering of thrift capital standards.

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Miami

March 20, 1990

Senator Sam Nunn
United States Senate
Dirksen Senate Office Bldg.
Washington, D.C.

Dear Senator Nunn:

As you are probably aware Timothy Ryan has been nominated for appointment as the Director of the Office of Thrift Supervision by the Bush Administration. This appointment is subject to Senate confirmation.

Tim is an old and close friend in whom I have a great deal of trust and confidence. Tim was the Solicitor of Labor who used his considerable legal skills and powers of persuasion to obtain a significant and binding agreement from the Teamsters Central States Pension Fund in response to your Permanent Subcommittee on Investigations hearings. I worked closely with Tim during that difficult time and I admired his intelligence, judgment, integrity, and forcefulness. In my opinion, second to your efforts with PSI, Tim had a significant impact with respect to cleaning up the Central States Pension and Health and Welfare Funds. I have followed Tim's career through the years and I have been impressed with his many accomplishments and with his significant ability and outstanding legal talents.

Obviously, the thrift industry is in a critical period of restructuring and requires an individual with strong leadership and extraordinary judgment and wisdom. Tim clearly possesses these qualities. I feel comfortable in asking you to review Tim's record and to support this nomination based solely on his exceptional qualifications.

I would be pleased to discuss Tim's qualifications with you. I believe Tim will welcome the opportunity to meet

Senator Sam Nunn
March 20, 1990
Page 2

with you to discuss your thoughts, concerns and recommendations regarding the thrift industry. I have enclosed his resume for your review. If I can be of further assistance or if you have any questions or comments concerning Tim, please do not hesitate to contact me. I look forward to seeing you soon in Washington.

Sincerely,

HOLLAND & KNIGHT

Marty Steinberg

Marty Steinberg

95000 4033LETR:wp112
03/20/90

STATEMENT

OF

CHARLES H KEATING, JR.

TO

SENATE BANKING COMMITTEE

ON

CONFIRMATION HEARINGS OF T. TIMOTHY RYAN, JR.

WEDNESDAY, MARCH 28, 1990

THE ECONOMIC DEBACLE OF THE UNITED STATES BANKING AND FINANCIAL SYSTEM WAS FORE-SEEN.

E. GERALD CORRIGAN, PRESIDENT OF THE FEDERAL RESERVE BANK OF NEW YORK, IN 1987, WROTE A TREATISE, "FINANCIAL MARKET STRUCTURE: A LONGER VIEW." HE CALLED ATTENTION TO AND SUGGESTED REMEDIES TO THE STRUCTURAL FLAWS IN THE SYSTEM. SHORTLY AFTER ITS PUBLICATION, THE UNDERSIGNED DISTRIBUTED A COPY OF THAT EXCELLENT WORK TO EVERY MEMBER OF CONGRESS NOTING THE URGENCY OF THE PROBLEM.

THROUGHOUT THE 1970'S REFORM FOR THE SAVINGS AND LOAN INDUSTRY WAS DEBATED AT THE STATE AND FEDERAL LEVEL. THE DIALOGUE WAS EFFECTIVE AND CONGRESS PASSED GARN-ST. GERMAINE IN 1982. THEN VARIOUS STATES LIBERATED THRIFTS FROM THEIR STATUTORY ASSET CONSTRAINTS, E.G. CALIFORNIA (NOLAN ACT) AND TEXAS, OHIO, FLORIDA ET. AL. THE ENSUING CHARTERS PROMISED TO GIVE BIRTH TO THE MOST PRIZED AND PROFITABLE FINANCIAL INSTITUTIONS EVER TO EXIST IN THE UNITED STATES. INSTITUTIONS DESIGNED TO COMPETE EFFECTIVELY ON AN INTERNATIONAL BASIS.

THE BASIS OF THE DEBATE AND THE RESULTING LEGISLATION, AS WELL AS THE THESIS OF MR. CORRIGAN, WAS THE NEED TO RESTRUCTURE THE FINANCIAL SYSTEM. "DEFECTIVE STRUCTURING IS A PRIMARY CAUSE OF THE ECONOMIC VULNERABILITY OF THRIFTS." (MAY 1982 UNITED STATES SENATE BANKING COMMITTEE REGARDING GARN-ST. GERMAINE)

FROM 1970 - 1982 THE SAVINGS AND LOANS EVOLVED STATUTORIALLY NOT ONLY TO BECOME COMPETITIVE, BUT ALSO TO HAVE AN OPPORTUNITY TO BECOME PREEMINENT AMONG FINANCIAL INSTITUTIONS, INDEED TO COMPETE QUITE READILY IN THE WORLDWIDE FINANCIAL COMMUNITY. HOWEVER THE FEDERAL HOME LOAN BANK BOARD (FHLBB) PREDECESSOR OF THE OFFICE OF THRIFT SUPERVISION (OTS), THE U.S. LEAGUE OF SAVINGS AND LOANS AND

SUBSTANTIALLY ALL OF THE SAVINGS AND LOANS WENT ABOUT BUSINESS AS USUAL. THE SITUATION DESPERATELY NEEDED A LEADER.

IN MARCH 1983, THE REAGAN ADMINISTRATION APPOINTED ED GRAY CHAIRMAN OF THE FHLBB. THE POWER DELEGATED BY LAW AND REGULATION TO THE CHAIRMAN OF THE FHLBB AND NOW TO ITS SUCCESSOR, THE DIRECTOR OF OTS, IS AWESOME. ACCORDINGLY, ESPECIALLY IN THIS TIME OF FINANCIAL CRISIS OF HISTORICAL PROPORTIONS, NOTHING IS MORE IMPORTANT TO THE ADMINISTRATION WHICH APPOINTS AND THE SENATE WHICH APPROVES THAN THE CREDENTIALS OF THE MAN NOMINATED FOR THE JOB. THE LEADER NEEDED NOW FOR THE OTS, OR FOR THAT MATTER THE RTC, OR OTHER KEY POSITIONS IN THE UNITED STATES BANKING AND FINANCIAL SYSTEM, MUST BE THE MOST QUALIFIED INDIVIDUAL, OR INDIVIDUALS THIS NATION CAN PRODUCE. WALTER WRISTON COMES TO MIND AS A PERFECT EXAMPLE OF ONE WHO SHOULD BE CALLED UPON BY HIS COUNTRY TO SERVE IN THIS TIME OF NEED. NOTHING LESS THAN THE BEST IS MANDATED.

FOR APPROXIMATELY THE PAST SEVEN YEARS THE CZAR-LIKE LEADERSHIP OF THE SAVINGS AND LOAN INDUSTRY HAS BEEN UNDER ED GRAY AND HIS SUCCESSOR, DANNY WALL. A BRIEF LOOK AT THE QUALIFICATIONS OF THESE TWO GENTLEMEN UNDERSCORES THE IMPORTANCE OF A PROPER APPOINTMENT AT THIS LATE DATE.

IN THE MARCH 6, 1990 DEPOSITION OF ED GRAY (AMERICAN CONTINENTAL CORPORATION ET. AL. VS. FEDERAL HOME LOAN BANK BOARD ET. AL. U.S. DISTRICT COURT OF ARIZONA) THE FOLLOWING CREDENTIALS OF ED GRAY WERE ELICITED.

MR. GRAY GRADUATED IN 1957 FROM FRESNO STATE COLLEGE WITH A DEGREE IN SPEECH AND JOURNALISM, FOLLOWING WHICH HE WORKED AS JOURNALIST AT KMJ RADIO IN FRESNO.

HE HAD NO EDUCATIONAL BACKGROUND RELATED TO ACCOUNTING, LAW, ECONOMICS OR BUSINESS. IN 1960, AFTER LEAVING KMJ RADIO, HE WENT TO SPAIN FOR THREE YEARS TO STUDY SPANISH AT THE UNIVERSITY OF BARCELONA. AT ONE POINT DURING HIS SOJOURN IN SPAIN, MR. GRAY WORKED FOR UNITED PRESS INTERNATIONAL AT THE MADRID OFFICE. IN RESPONSE TO A QUESTION "HOW DID THAT JOB PAY, DO YOU RECALL?" MR. GRAY ANSWERED, "NOT ENOUGH." IN 1963, BACK IN THE UNITED STATES, MR. GRAY WORKED SEVERAL MONTHS AT A RADIO STATION AND WAS SUBSEQUENTLY HIRED AS PUBLIC RELATIONS STAFF SUPERVISOR FOR PACIFIC TELEPHONE IN SACRAMENTO, CALIFORNIA. HE COULD NOT REMEMBER THE NAME OF THE RADIO STATION FOR WHICH HE WORKED PRIOR TO THE TELEPHONE COMPANY JOB. HE WAS A "STAFFER" WITH THE PHONE COMPANY UNTIL NOVEMBER 1967. DURING THAT TIME HE LEFT FOR A WHILE TO BECOME A VOLUNTEER WITH THE REAGAN INAUGURAL COMMITTEE IN 1966. HE HAD NO PRIOR EXPERIENCE IN POLITICS. IN LATE 1967 HE RECEIVED A PAID POSITION AS AN ASSISTANT PRESS SECRETARY FOR GOVERNOR REAGAN. HIS SALARY, AS ASSISTANT PRESS SECRETARY, WAS $13,500 PER YEAR. HE WORKED FOR GOVERNOR REAGAN FOR ALMOST SIX YEARS, GRADUATING TO ASSOCIATE PRESS SECRETARY IN 1968 AND THEN IN 1972 BECOMING PRESS SECRETARY WITH HIS PAY ESCALATING TO $28,000 PER YEAR. IN NOVEMBER 1973, MR. GRAY BECAME EMPLOYED BY SAN DIEGO FEDERAL SAVINGS IN SAN DIEGO AS VICE PRESIDENT OF PUBLIC AFFAIRS BEING COMPENSATED IN THE "LOW $30,000 A YEAR." THE SAVINGS AND LOAN WAS OPERATED BY GORDON LUCE, A CLOSE PERSONAL FRIEND OF GOVERNOR REAGAN'S. MR. GRAY WORKED AT SAN DIEGO SAVINGS UNTIL MARCH 1980 AT WHICH TIME HIS SALARY "WAS APPROACHING $50,000." IN 1980, MR. GRAY WENT ON A LEAVE OF ABSENCE TO BECOME ASSOCIATED WITH GOVERNOR REAGAN'S PRESIDENTIAL CAMPAIGN. THE LEAVE OF ABSENCE WAS UNPAID. HE THEN

BECAME PRESS SECRETARY FOR THE CITIZENS FOR REAGAN CAMPAIGN FOR WHICH HE WAS PAID $35,000 PER YEAR. AFTER THE DETROIT REPUBLICAN CONVENTION, HE BECAME DEPUTY CHIEF OF STAFF, WITH THE TITLE "LIKE DIRECTOR OF POLICY COMMUNICATIONS AT THE NATIONAL HEADQUARTERS IN ARLINGTON, VIRGINIA." IN NOVEMBER, MR. GRAY WENT BACK ON THE SAN DIEGO FEDERAL SAVINGS PAYROLL AS SENIOR VICE PRESIDENT, AT WHICH TIME HE CONTINUED WORKING "FOR THE TRANSITION, THE OFFICE OF THE PRESIDENT ELECT." IN JANUARY 1981, HE "ASSUMED RESPONSIBILITIES AS DEPUTY ASSISTANT TO THE PRESIDENT AND DIRECTOR OF THE WHITE HOUSE OFFICE OF POLICY AND DEVELOPMENT. HE WAS PAID "SOMETHING LIKE $59,000." IN FEBRUARY 1982, MR. GRAY BECAME DEPUTY ASSISTANT TO THE PRESIDENT AND DIRECTOR OF THE OFFICE OF POLICY INFORMATION IN THE WHITE HOUSE. IN AUGUST 1982, HE "LEFT THE WHITE HOUSE, RETURNED TO WHAT WAS NOW KNOWN AS GREAT AMERICAN FEDERAL SAVINGS BANK, AS I RECALL, BUT IT HAD BEEN SAN DIEGO FEDERAL." HIS COMPENSATION WAS "SOMEWHERE AROUND $90,000." IN MARCH 1983, HE "WAS SWORN IN AS A MEMBER OF THE FHLBB." SEVERAL MONTHS LATER HE BECAME CHAIRMAN OF THE FHLBB AND IN CHARGE OF AND RESPONSIBLE FOR AN INDUSTRY IN EXCESS OF $1 TRILLION.

IN THE FEBRUARY 1990 DEPOSITION OF DANNY WALL (AMERICAN CONTINENTAL CORPORATION ET. AL. VS. FEDERAL HOME LOAN BANK BOARD ET. AL. U.S. DISTRICT COURT OF ARIZONA) THE FOLLOWING CREDENTIALS WERE ELICITED.

MR. WALL ATTENDED NORTHERN STATE UNIVERSITY IN SOUTH DAKOTA 1957 - 1959 IN PRE-ENGINEERING. HE TRANSFERRED TO NORTH DAKOTA STATE UNIVERSITY IN 1959 AND GRADUATED IN 1963 WITH A BACHELOR OF SCIENCE DEGREE IN ARCHITECTURE.

IN JUNE, OR JULY 1987, MR. WALL WAS MADE CHAIRMAN OF THE FHLBB. FROM THAT TIME BACK TO HIS UNIVERSITY DAYS I WILL NOTE DIRECTLY FROM MR. WALL'S DEPOSITION. QUESTION: "NOW, YOU STATED YOU WERE THE CHIEF OF STAFF OF THE SENATE BANKING COMMITTEE FROM JANUARY OF 1981 TO JANUARY OF 1987?" MR. WALL ANSWERED, "YES." QUESTION: "PRIOR TO JANUARY OF 1981, DID YOU HAVE ANY JOBS REGULATING BANKS OR THRIFT INSTITUTIONS?" ANSWER: "I WAS ON THE STAFF OF THE SENATE BANKING COMMITTEE FOR TWO YEARS PRIOR TO THAT AS THE SENIOR REPUBLICAN STAFF MEMBER IN THAT TIME FRAME." QUESTION: "THAT WAS FROM?" ANSWER: "1979 TO 1981, AND FOR FOUR YEARS PRIOR TO THAT I WAS THE DIRECTOR OF LEGISLATION IN SENATOR GARN'S OFFICE AND FOR FOUR YEARS PRIOR TO THAT, I WAS THE EXECUTIVE DIRECTOR OF THE REDEVELOPMENT AGENCY IN SALT LAKE CITY AND FOR I BELIEVE IT WAS NINE YEARS PRIOR TO THAT, I WAS IN A SERIES OF POSITIONS IN FARGO, NORTH DAKOTA, CULMINATING AS SEVEN YEARS AS THE EXECUTIVE DIRECTOR OF THE URBAN RENEWAL AGENCY. THAT GOES BACK TO WHILE -- I STARTED WHILE I WAS STILL IN COLLEGE." QUESTION: "NOW, IF MY NOTES ARE CORRECT, YOU FIRST ARRIVED IN WASHINGTON WORKING FOR SENATOR GARN IN APPROXIMATELY 1975?" ANSWER: "YES." QUESTION: "PRIOR TO WORKING FOR SENATOR GARN, DID ANY OF YOUR JOBS INVOLVE THE REGULATION OF SAVINGS AND LOAN INSTITUTIONS?" ANSWER: "NO." QUESTION: "THE REGULATION OF BANKS AND OTHER THRIFT INSTITUTIONS?" ANSWER: "NO." QUESTION: "DID THOSE JOBS INVOLVE THE OPERATION BY YOU OR BY OTHERS IN YOUR ORGANIZATION OF ANY SAVINGS AND LOAN INSTITUTIONS OR OTHER FINANCIAL INSTITUTIONS?" ANSWER: "NOT OF AN INSTITUTION, NO."

THE QUESTION I WOULD RAISE IS WHETHER THIS COMMITTEE, WITH AN ABORTED BACKGROUND CHECK ON MR. RYAN AND A CURSORY HEARING, PLANS TO CONTINUE ON THIS COURSE OF CONDUCT, WHICH PLACED IN THE ALL-POWERFUL OFFICE OF DIRECTOR (CHAIRMAN), TWO SUCCESSIVE, TOTALLY UNQUALIFIED MEN.

IT APPEARS CLEAR THAT DEFECTIVE STRUCTURING IS A PRIMARY CAUSE OF THE CURRENT ECONOMIC VULNERABILITY OF THRIFTS. THIS IS THE SITUATION IN SPITE OF DEREGULATION IN A NUMBER OF STATES, GARN-ST. GERMAINE, PRESIDENT CORRIGAN'S ADMONITIONS AND THE VOLUMINOUS CRITIQUES OF EXPERTS. WHY? BECAUSE MESSRS. GRAY AND WALL AND THEIR "AFFILIATES" THWARTED THE SOLUTIONS.

SOME OF THE BEST BUSINESSMEN AND CORPORATIONS IN THE WORLD HAVE BEEN UNABLE TO SUCCESSFULLY OPERATE THRIFTS. TO NAME A FEW THE LIST INCLUDES: FORD MOTOR COMPANY; GERALD RONSON (CHAIRMAN OF HERON CORPORATION OF ENGLAND/PIMA SAVINGS, TUCSON); CITIBANK; SEARS; SAUL STEINBERG AND SOME (IF NOT ALL) LONG TIME THRIFT OPERATORS AND SOUND BUSINESSMEN SUCH AS: GENE RICE (MERABANK); EMIL LUDWIG (SOUTHWEST SAVINGS AND OTHERS); GORDON LUCE (GREAT AMERICAN); JAY JANIS (GIBRALTER); LEONARD SHANE (MERCURY); KEN THYGERSON (IMPERIAL); WILLIAM BELZBERG (FAR WEST); ERNEST FLEISCHER (FRANKLIN SAVINGS).

SURELY HISTORY WILL RECORD THAT BECAUSE OF INEPT LEADERSHIP, CONFUSION AND CHAOS CAUSED BY PYRAMIDING REGULATIONS AND RE-REGULATION (1983 TO 1990) THAT THE REGULATIONS AND THE REGULATORS CAUSED THE FAILURE. DURING THIS SORRY PERIOD IN THE HISTORY OF OUR FINANCIAL SYSTEM, EVERY SINGLE "SOLUTION" PROPOSED

AND USED BY THE REGULATORS FAILED. NOT ONE INSTITUTION WAS SAVED UNDER ANY PROGRAM. SUCH PROGRAMS INCLUDED FADA; CEASE AND DESIST ORDERS; MANAGEMENT CONSIGNMENT PROGRAMS; SUPERVISORY AGREEMENTS; SUPERVISORY DEMANDS; CONSERVATORSHIPS; RECEIVERSHIPS; ANTI-GROWTH REGULATIONS; ANTI-DIRECT INVESTMENT REGULATIONS AND COUNTLESS OTHERS.

THE RTC PROGRAM IS WORSE, NOT BETTER. MUCH WORSE!

HOW CAN ANYONE WITH COMMON SENSE EVOLVE, MUCH LESS CONTINUE TO SUPPORT, A PROGRAM WHICH, AT TAXPAYERS EXPENSE, CONFISCATES HUNDREDS OF BILLIONS OF DOLLARS OF ASSETS AND PLACES THEM IN THE HANDS OF A FEDERAL BUREAUCRACY ONLY NOW SLOWLY COMING TO EXISTENCE, WHICH BUREAUCRACY IS NOT COMPETENT, AND NEVER WILL BE, TO HANDLE ITS RESPONSIBILITIES.

WITH SUCH A SCANDAL ORIGINATING AND GETTING WORSE OVER THE ERA OF THE REAGAN/BUSH ADMINISTRATION AND THE CURRENT CONGRESS, ITS OBVIOUS WHY THE FINGER OF GUILT IS BEING POINTED AWAY FROM THE CAUSE TOWARD SAVINGS AND LOAN OWNERS AND OPERATORS.

MY INTEREST IN THE APPROVAL PROCESS OF THIS COMMITTEE IS THAT THEY UNDERSTAND THE SERIOUSNESS OF OBTAINING THE MOST QUALIFIED PERSON IN THE UNITED STATES TO LEAD THE SOLUTION OF THE PROBLEM.

I ASKED THAT YOU ALLOW ME TO APPEAR TODAY BEFORE THIS COMMITTEE IN PERSON. I REGRET THAT YOU HAVE DENIED MY REQUEST. I FIRMLY BELIEVE AN IN-DEPTH DIALOGUE IS NEEDED TO CLEARLY IDENTIFY THE PROBLEMS AND THEIR SOLUTIONS.

BECAUSE OF HYSTERICAL ACCUSATIONS, CRIMINAL REPRISALS, ILLEGAL LEAKING OF FALSE INFORMATION AND OTHER ACTIONS DESIGNED TO PREVENT FREE AND OPEN DEBATE, THE PROBLEMS DO NOT GO AWAY, BUT EXACERBATE. I HAVE REPEATEDLY PROJECTED THE COST OF THE SAVINGS AND LOAN DEBACLE TO THE UNITED STATES TAXPAYERS AT OVER $500 BILLION. IF THE MADNESS CONTINUES, IT COULD APPROACH $1 TRILLION BEFORE IT STOPS, IF INDEED IT EVER DOES.

WHAT IS NEEDED IS FREE AND OPEN DEBATE. NOW! I REGRET THAT THIS COMMITTEE COULD HAVE BEGUN THAT DEBATE HERE TODAY.